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FORUM

VOL. CXI

No. 3

The Right to Dissent

*Shall we lose a
hard-won privilege*

I

THE individual's right to dissent from majority views represents man's greatest advance from the herd level of prehistoric times. It never has been completely accepted. It never can be. For the unqualified right to dissent inevitably leads to complete anarchy, exceeding even the generous social and political limits drawn by professional anarchists. At best, the individual has been able to obtain only a modicum, never the totality of this precious privilege.

Dissent itself is no virtue. Crackpots, as well as saints, disagree with the rank and file of their fellow men. Rarely is dissent complete and unequivocal. Advocates of polygamy, for instance, could safely subscribe to all but one of the ten commandments. The leaders of religious rebellion in the age of the Reformation, with few exceptions, did not desire to tamper with the political patterns in which they saw themselves successful. Zwingli and Calvin flourished in the republican city-states of Switzerland, while Luther owed much to the protection which he received from the Elector of Saxony. Dissent from Catholic dogma and ecclesiastical organization was what occupied their chief attention. Others, however, like Thomas Muenzer or the Anabaptists were dissenting not only

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from the established religion, but from the social and economic order of their age. Yet the antagonism which they aroused by such well-nigh universal disagreement with established traditions was the chief cause for the crushing defeat of their movements.

In our own age and time, the right to dissent from majority patterns has once more become the true touchstone of Western civilization. Even in the most firmly established democracies, the limits of dissent are being drawn more tightly than they were in the halcyon days before 1914. An ill wind is blowing from the East. Its chilling effect upon our own attitude towards dissenters is manifest. Is it likely that, in the process of withstanding the red flood tide which is threatening to engulf the globe, we shall be forced to part with much of our slowly and painfully acquired freedom? Will we be free, not only to think as we please—that privilege is left even to the mute myrmidons of modern totalitarian states—but to voice our views without fear of social and economic ostracism?

The history of the right to dissent is part of the great tradition of Western

civilization. Three thousand years have elapsed since the dawn of Greek history. Three thousand years of an almost incessant struggle between the forces of tradition and those of change are culminating before our very eyes in the titanic struggle between the two poles of the Western world of today: democracy and totalitarianism. Looking back upon our own past, we can appreciate the magnitude of Western achievement in the fight for the individual's right to dissent, but we are also made aware of the precariousness of the hard-won gains.

II

The trace of dissent leads to the very border of prehistory. Undoubtedly religious dissent was the first major form of individual opposition to accepted values. Couched in religious terms, social and economic dissent made their appearances, too. For each religious dissenter believed in a different "way of life," including other than purely religious changes from established patterns. The great Egyptian Amenophis IV (alias Akhnaton) broke traditions of many thousand years' standing, when he introduced his creed of a single all-powerful god. He dedicated to Him the magnificent hymn which in our book of psalms still survives in an adaption, but which the silent sands of his long dead capital have preserved in its original form. From Egypt, too, Moses carried the torch of monotheism, imposing it upon his Jewish brethren in the face of considerable obstacles. The dance around the golden calf has always been a temptation, but Moses' wrathful dissent prevailed in the end. Monotheism became a Jewish monopoly.

The books of the Maccabees attest how firmly the Jews defended their right to religious dissent even against powerful Hellenistic rulers. The Seleucid kings might throw dissenters into fiery ovens, but they persisted in dissent. More powerful than the Greek despots were the emperors of Rome. The eagles of their legions came to roost upon Jerusalem. No one in his senses would have dared to challenge the might of imperial Rome.

Yet in the Roman realm of the first century the Jews actually attempted to repeat the ancient David versus Goliath duel, rising in religious-nationalist dissent against Nero.

They lost the unequal struggle. Jerusalem fell in 70 A.D. To this day, the arch of Titus on the debris-strewn *Forum Romanum* commemorates Rome's triumph over the religious fanatics. The seven-armed candle holder and the sacred ark of the defeated, chiseled in patient stone, record the fate of the luckless dissenters. For almost two-thousand years, the Jews paid the penalty of their temerity. Following a series of subsequent rebellions, they were "distributed" over the entire empire by the Roman rulers, not to regain the status of a national state until 1948.

The tenacity of their dissent became the heritage of a sect whose founder died on the cross for his dissenting opinions. From its inception, Christianity fought a grim battle against both orthodox Jews and tolerant pagans. For more than three hundred years, the ranks of Christian martyrs attested the fierceness of their religious dissent. The Book of Revelation to this day reveals the ferocious hatred of those early Christians against the Roman state and all its works. Intolerant in a tolerant society, the Christians provoked the Roman government to stern measures. Yet they persevered, and in the fourth century won the day. The *ecclesia triumphans* took over the Roman Empire and, in the process, salvaged a great deal of that very culture which it had originally fought so bitterly.

The history of dissenters come to power demonstrates in most cases the melancholy truth that victorious dissenters are as merciless in oppressing dissenters as they themselves were oppressed. From the Council of Nicaea (325 A.D.) to the Council of Trent (1545-1563), the excommunication of heterodox Christians, the persecutions of "heretics," and the insistence on absolute religious uniformity made religious dissent a very risky business.

The iconoclastic movement in the Byzantine Empire, the underground religious dissenters of western Europe, the

rise of more or less open opposition to official orthodoxy in the thirteenth century, were but a few signs of the never-ending vitality of the human mind in objecting to enforced religious dogma. The ashes of Wycliffe might be disinterred and strewn upon unhallowed ground, but the smoldering embers of the stake on which Hus perished fanned the Hussite movement into belligerent dissent and launched the first large-scale religious war of modern Europe. Joan of Arc, who perished not long after Hus, died formally as a religious dissenter, though actually as a victim of political circumstances. In Florence, Savonarola went to his death at the very end of that century. He, too, had dared to dissent from orthodox dogma and its champions.

When the successful reformers, among them Luther and Calvin, managed to survive the battle with traditionalist Christianity, one might imagine that they would be more tolerant than their great opponent, the Roman Catholic Church. Far from it! The burning of witches, the persecution of religious dissenters from Lutheranism or Calvinism—in short, the same unwillingness to admit the right of religious dissent — manifested itself all over again. Those very Puritans for whose rights to dissent Oliver Cromwell had fought a losing battle were not one whit more tolerant than the Anglican Church from whose oppression they had escaped to the New World. The witch trials of Salem and the story of Roger Williams are merely the best known incidents in a long sequence of similar episodes.

The right to religious dissent in the modern world of the West gradually became recognized as the hold of organized religion upon the modern state and its citizens lessened. Beginning with the struggle for the separation of church and state, a phenomenon which revived the days of imperial Rome, the right to religious heterodoxy became a well-nigh universal individual privilege by 1914. Today it looks as if, on a different level, the individual's right to dissent from a state-sponsored creed is again on the way out. This is certainly true in the totali-

tarian states. Yet, lest we get smug, let us remember the case of the Mormons in the nineteenth century, and more recently the problem of Jehovah's Witnesses or the "conscientious objectors" belonging to sects like the Society of Friends. Throughout Western history, the right to religious dissent has existed only over relatively short periods of time. Let those of us who firmly believe in it, remember this and rise to its defense.

III

The right of an individual to dissent from the social and economic patterns of his group is almost equally precarious in the light of past experience. Not until the very end of Greek history do we find the evolution of the glorious concept of natural law, culminating in the proclamation of the inalienable rights of every individual. The extent to which these inalienable rights could be asserted in practice was, however, a far cry from the bold assertion of legal theory. One is almost tempted to say that the Greeks developed the theory of inalienable rights when they had already lost most of them in political practice.

In lieu of lengthy discourse, it may suffice to quote from Thucydides' immortal rendering of Pericles' funeral oration on behalf of the war-dead of Athens:

We are not narrow-minded in our public life In our personal relations with each other we are most tolerant We do not believe that affairs go badly if they are first discussed publicly. On the contrary we think it wrong to undertake something without having first benefitted from a free discussion of the pro and con

The right of free speech was certainly one which in most advanced republics of Greece was accorded to all citizens. Dissent could be registered freely and without risk. No one need be afraid to cast his vote as he saw fit, on jury duty or in public meetings. In the democratic states of Greece, each citizen could bring in bills in the general assembly (although in order to prevent limitless and foolish motions certain legal restrictions were usually applied).

The unending variety of Greek social and political institutions paved the way for a general recognition of their relativity. The *Politics* of Aristotle, as well as his extant fragments of the constitutional histories of Greek states, breathe this spirit of tolerant evaluation. Works like Plato's *Republic* or his later *Laws*, both utopian, could only be conceived in an atmosphere in which such dissent from established social and economic patterns did not carry deadly peril for the dissenter. Even communist utopias were freely proposed by audacious writers of the fourth and third centuries B.C. Men like Euhemeros, and especially Jambulos, were typical of the radicalism which, in the thin veil of the fashionable adventure yarn, attracted readers without endangering the authors.

The Roman world, no less than the Greek, experienced the rise of civil liberties, i.e., the right to individual dissent on political, social and economic questions. The long struggle between plebians and patricians did not produce a democratic society comparable to that of Athens and other Greek states, but it did give the individual citizen the protection of Roman law to an extent which enabled him to voice his opinions fearlessly in public, and to write pretty much as he pleased. In actual practice, however, these rights were severely circumscribed. The fate of those who dared dissent from the established social and economic pattern of the Roman republic was violent death. From 133 B.C., when Tiberius Gracchus was lynched for trying to carry his dissent from theory into political reality, to the Ides of March 44 B.C., when Julius Caesar was slaughtered at the feet of Pompey's statue, political dissent in Rome was mortally dangerous. March 15, 44, did not mark the end of this era. On the contrary, it ushered in another age of proscriptions whose most illustrious victim was Cicero. The subsequent era of imperial rulers put an end to the right to dissent on such matters altogether. The long line of victims, from Cicero to the Stoics of the first century A.D., shows the gradual suppression of dissent in the realm of politics, constitutional law, and social and economic institutions. With the advent of Diocletian

(284 A.D.), such dissent became a matter of lese majeste with the concomitant legal and personal risks.

The medieval world knew no organized dissent of this kind. Being blithely illiterate, the lay world (except in the Byzantine Empire) left such matters of principle to the Church, the only organized literate element in existence. Not until the rise of another city civilization in Italy do we encounter a revival of the struggle for man's right to dissent from the secular institutions of his group. The turbulent history of the Italian renaissance is filled with the clamor and the hard-won recognition of this right. Yet the penalty for such dissent was still severe. Dante preferred to die in exile rather than to abandon his political dissent. Italian cities were crowded with exiles of this kind. Only the eventual submerging of Italy beneath the shadow of Hapsburg absolutism put an end to the most violent manifestations on behalf of the right to such dissent.

The most successful instances, however, of the assertion of this privilege are found in the annals of English history. From the meadow of Runnymede to the scaffolding on which Charles I was beheaded in 1649, the struggle for the Englishman's constitutional right to dissent from his government broadened from the ranks of the upper to those of the lower aristocracy and then caught hold of the well-to-do burgher class. Nowhere has this trend been as long-lived or as successful as in the English world. The formidable reminder of the British colonists in North America that the right to dissent belonged to Englishmen even if they migrated across the Atlantic caused Britain to go further in conceding the right to dissent than any other Western power past or present. The present Commonwealth of Nations is an unparalleled result of this evolution.

In continental Europe, the French Revolution bestowed upon Frenchmen the right to dissent from anyone on anything in the realm of politics, social and economic institutions and religion. To a lesser degree, the right to dissent on secular matters emanated from France throughout

the rest of Europe in the nineteenth century; even Czarist Russia could not immunize herself entirely against this Western disease. In 1914 the highwater mark of the right to such dissent was reached in Europe. With the rise of totalitarian societies after World War I, it has once more become a very dangerous business for hundreds of millions to voice dissent from any official policy. Outward conformity, at least, is insisted upon throughout any totalitarian paradise.

Even in non-totalitarian countries, the battle for freedom of speech is shaping up. Abuse of this freedom by totalitarian movements has raised the serious question in a number of countries, whether or not such opposition should be granted the general right of public dissent. In Great Britain, the struggle between the Labor regime and its opponents is casting some shadows on the future of the traditional right of unfettered opposition. Wherever we look today, storm signals are going up. The onslaught of the forces, which make such dissent on purely secular matters a capital crime, proceeds apace. From the battlefields of China to those of the "cold war", the issue is joined. The specter of "advisable conformity" rears its ugly head in our own midst. The Communists and their minions, who have much to answer for in bringing this condition about, are among the loudest to complain. Even this abuse, however should not induce those of us who view the right to secular dissent as one of the finest achievements of Western civilization to clamor for the restriction of this right.

IV

Religion or secular dissent, however, is not man's boldest challenge to his fellow men. Intellectual dissent unquestionably is the most dangerous, the most subversive of them all. For us of the West, the Greeks did light that blazing torch. In the words of the Roman Lucretius, the whole phenomenon of intellectual dissent has been indelibly etched:

... Whilst human kind
Throughout the lands lay miserably crushed

Before all eyes beneath Religion—who
Would show her head along the region skies,
Glowing on mortals with her hideous
face—

A Greek it was who first opposing dared
Raise mortal eyes that terror to withstand,
Whom nor the fame of Gods nor lightning's
stroke

Nor threatening thunder of the ominous sky
Abashed; but rather chafed to angry zest
His dauntless heart to be the first to rend
The crossbars at the gates of Nature old,
And thus his will and hardy wisdom won;
And forward thus he fared afar, beyond
The flaming ramparts of the world, until
He wandered the unmeasurable All.

The Greek to whom Lucretius addressed this paean was Epicure. Yet long before, the Greeks had begun to raise the standard for intellectual dissent, had begun to entrust themselves to abstract reason, to logic, to scientific analysis of nature and the universe. In questioning all traditional religious and moral values, they had gradually moved further and further away from the plane of the great majority of their contemporaries. Pythagoras preferred to found a secret sect, a sect whence the first inkling of heliocentric concepts of the universe has trickled down to us. He knew and feared the superstitious, tradition-bound majority of the Greeks of his day and insisted that his dissent from established views and values should be a muted rather than a defiant one.

In developing the theory of the atomic structure of matter, Greek intellectual dissent dissolved the whole fabric of established cosmology. Anaxagoras came close to being executed by the unenlightened people of Periclean Athens for his scientific dissent. Who, indeed, would stand for a man who insisted that the sun, the moon, or the stars were not divine creatures, but merely glowing chunks of matter? The widespread distrust of intellectual dissenters was voiced in Aristophanes' *Clouds*, whose arch-villain was none other than Socrates, the greatest rationalist dissenter of his time. Reality was to improve upon the stage. For at the end of the *Clouds*, only the scientific establishment of Socrates was destroyed, while he escaped with his life. Almost thirty years later, Socrates actually

was put to death for intellectual dissent.

The abyss between laymen and scientists widened as Greek science reached its zenith in the two centuries which followed. Yet intellectual dissent on that level became less risky with the decline of political freedom in the Greek world. The Hellenistic despots were tolerant of all but political dissent. They allowed the intellectuals to graze on the peaceful pastures of scientific endeavor, since absolutism was obviously in no danger from such activities.

The Romans considered intellectual dissent merely as one of the diverse, quaint, and somewhat unnatural Greek characteristics. Except for Lucretius and a bare handful of kindred spirits, intellectual dissent was never much of an issue or much of a risk in Rome. Not until the victory of Christianity did this happy state change.

The often quoted *credo quia absurdum* (I believe, because it is unbelievable), does not necessarily mean firm opposition to intellectual dissent, but the actual policy of the church fathers was clearly to encourage faith rather than analytical reason. The eventual growth of scholasticism produced a *Procrustean bed* for the newly rising inclination toward critical analysis of traditional tenets. Confined to "prove" by rational means pre-established religious and philosophical theses, scholastic philosophers were unable to use their intellectual equipment quite freely. Inevitably intellectual dissent began to grow within their ranks. Abelard is not only remembered as the partner of Eloise in the famous romance; he was also persecuted for certain views whose most heretical ones included a definite intellectual dissent on behalf of "pure reason."

From the renaissance onward, the Western world underwent the second great age of intellectual dissent, dissent carried to the suicidal borderline of mankind's entire existence. During the era of the Reformation and the subsequent period of waning absolutisms, this trend paralleled the earlier Greek

one to an amazing degree. Descartes' *sum cogitans* reiterated the ancient doctrine of intellectual independence on the part of the thinking individual. With the advent of the Industrial Revolution in the late eighteenth century, the separation of intellectual dissenters from the mass of mankind grew apace. Today the average man or woman is worlds apart from the professional scientist, irrespective of whether or not he specializes in the social or natural sciences. The natural scientists' lingo is comprehensible only to a small group of people throughout the world. At the same time and this a radical departure from any previous epoch—the entire fate of mankind depends upon the scientists whichever way one looks at it. Agriculture, no less than medicine, relies upon them to provide adequate crops for an ever-increasing number of mouths to feed. Chemistry and physics vie with each other in creating useful tools for the betterment of our lot. At the same time, all old values have been so seriously undermined by the victory of the intellectual dissenters that by now the situation is reversed. We gratefully coddle, shelter and aid today the spirits from whom we obtained the formidable power which atomic fission has bestowed upon us. The voices which warn against the comfortable abandonment of all older values and views are now a dissenting minority.

If Wilde was right in maintaining that of two tragic choices the one which gives us what we want is the more tragic one, we have reaped what we sowed. When dissent of any sort was dangerous in the extreme, men went all out to win the precious right to dissent. Today, the democratic countries of the West are the last bastions of that hard-won position. Undoubtedly the right to dissent can be abused. Undoubtedly it has been abused by the enemies of freedom. Yet, let us remember the value of a way of life in which a free citizen may still rise in any group or meeting and, without fear of reprisal or punishment, open his argument with the quiet words, "I beg to dissent."

Oil in American Foreign Policy

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Our commitments in the Middle East

SOME historians have pointed out that so far no war has been waged primarily for the control of oil; but they hesitate to deny that oil may become the cause—or at least a significant cause—of a future war. And since the greatest known oil reserves lie beneath the soil of Iraq, Iran, and Arabia, the Middle East becomes an important focus of major power rivalry. To be forced into an admission that oil may become a significant cause of war is indeed ironic. But such an unhappy conclusion follows from the current argument for government protection of Middle Eastern oil. The argument runs: oil is directly or indirectly necessary for national defense; we must have a supply of Middle Eastern oil in case of war with Russia, or we must keep Russia from obtaining this oil so that she cannot use it against us. But, by the act of establishing or maintaining control of these oil areas, we may be promoting that very war for which we will need the oil.

We need petroleum products in the United States now more than ever; and we will require even more in the future. Not even the experts, however, agree that our domestic supplies can meet this increasing demand. Some believe that vast reservoirs lie undiscovered in the United States while others dismiss the probability of significant new discoveries. But whatever the state of our domestic reserves, certainly the United States should be concerned with supplementing any possible oil shortages. The government's interest in Middle Eastern oil, however, seems

to represent more than a simple desire to prevent a petroleum famine in this country.

When American companies obtained oil concessions in the Middle East, some rivalry developed between them and Great Britain. It should be remembered that the Anglo-Iranian oil company, which had concessions in western Iran, is controlled by the British government. Russia soon entered the picture for she is in a position to attack Iran, Iraq, or Arabia, and thereby gain tremendous oil reserves. The possibility of Soviet expansion, whether for oil, for warm-water ports, or for any reason, requires consideration of the defensive capacities of all those countries, such as Turkey and Greece, which might act as bulwarks against Russian imperialism. Native rulers like Ibn Saud of Arabia must be courted and placated for oil concessions. A final but very important aspect of the question concerns the relation of the oil industry to the United States government. Should oil be protected for the benefit of the oil companies or in the national interest? If it is to be protected in the national interest, the problem of free enterprise versus government regulation must be broached.

Great Britain, with her great interests in the Arab world, strongly objected to "Yankee imperialism," especially when Winston Churchill was Prime Minister. Churchill, after World War I, had done much to promote British influence in the Middle East. Intermittently, through 1943 and 1944,

Britain and the United States, in conjunction with representatives of some of the private oil companies, worked toward an agreement which was finally drafted on August 8, 1944.

In summary, the agreement included the following points: England and the United States and their nationals should make adequate supplies of oil available to all countries on a fair and non-discriminatory basis, subject to military security; equal opportunity regarding rights of exploration and development of fields should be preserved; restrictions by either country or its nationals, inconsistent with the purpose of the agreement, should not be invoked; and an International Petroleum Commission should be established by Britain and the United States to analyze such short-term problems of joint interest as production, transportation, processing, and the disposition of oil on a world-wide basis.

The agreement, of course, had many loopholes and was written in vague generalities. But if the parties concerned had supported it, it could have served as a basis of cooperation.

The negotiations leading up to the agreement stimulated a desire in both Britain and the United States to cooperate, but there were many elements of the American oil industry which opposed it. Fearing that the agreement implied governmental control and even the destruction of free enterprise, a combination of oil companies blocked the final ratification of the agreement and forced a renewal of negotiations. Harold Ickes, Petroleum Administrator for War, spent several months trying to quiet the industry's fears. By the autumn of 1945, the industry and government had agreed: that oil should be made available to all countries on a "competitive and non-discriminatory basis"; that the powers of the International Petroleum Commission should be decidedly restricted to advice, study, and recommendation; and that tariffs and other trade restrictions should not be considered as contrary to the purpose of the understanding.

Thus the heart was almost taken out of the agreement. Ickes flew to London in September, 1945, with the revised agreement, and it was quickly accepted by the British government. At this writing, it has not yet been ratified by the Senate.

Differences with Great Britain, however, do not impose as large a problem as differences with Soviet Russia. In 1943, several American oil companies had a great interest in the possible oil reserves of Iran. These reserves had not been proved, but the land promised oil in the eastern part of Iran (north of the British-controlled Anglo-Iranian Company concession). Both Socony-Vacuum and Sinclair, along with Royal Dutch Shell, also a British-controlled corporation, began discussions with the Iranian government. They wanted concessions north of the Anglo-Iranian holdings. The Iranian government, aware of the financial gains to be made from foreign exploitation of its oil but not wishing to relinquish its oil cheaply, asked an independent American oil company to advise it. Upon learning of American and British designs in Iran, the Russian government also sent a representative to ask for concessions. The Russians requested an exclusive five-year right to investigate the northern area adjacent to Azerbaijan. This territory, then occupied by Russia, was north of the area in which the Americans sought concessions. There was some question as to why Russia wanted this concession. While any answer is purely speculative, it is certain that her oil production lags, despite the fact that she has large potential reserves. Her past methods of exploitation were wasteful, exhausting some of her rich wells and damaging the fields. She also has a shortage of equipment. Russia may also want to control Azerbaijan to forestall American imperialism; or she may want it as a stepping-stone in her expansion to the Persian Gulf.

For many years Iran has been on rather unfriendly terms with Russia, especially since Iran was divided into spheres of influence by Britain and Russia prior to the first World War. When Russia asked for concessions, Iran was uncertain as to how to refuse. Finally the government of Iran arrived at a solution by postponing all action on oil concessions until the war was over.

After the war, Russia renewed her requests for oil concessions and, using as a trump card her troops occupying the northern part of Iran, threatened that she would not remove her forces until an agreement was reached. She even fostered an independence movement in Azerbaijan. Iran appealed to

the United Nations, complaining of Russian interference with her internal affairs. After much debate, during which Mr. Gromyko, the Russian delegate, attempted but failed to persuade the Security Council that the situation was of purely bilateral concern, the Russians promised to evacuate their troops. Then the Iranian and Russian governments proceeded to draw up an oil agreement. The agreement, while it assured Iran of sovereignty over Azerbaijan, formed a joint Iranian-Soviet oil company for prospecting in northern Iran. Despite British opposition, the Soviet Union was to be granted a 51 per cent controlling share in the stock, to extend for 25 years, and a 50 per cent share for a succeeding 25 year term. That this pact was not satisfactory to the Iranian government is evident from the fact that the Iranian administration has stalled Russia in signing the agreement until the present time. Between April, 1946 (when the pact was drawn up) and September, 1947, the Soviet government sent several tart notes to the Iranian government. In September, 1947, the American ambassador to Iran urged the Iranian government to resist this Soviet pressure. It was this United States backing which perhaps bolstered the Iranian government to reject the Soviet pact the following month.

Since that time, Russia has constantly tried to exert pressure in one form or another on Iran. She has not abandoned her interest in an autonomy or independence movement in Azerbaijan. She is still attempting to have the oil pact accepted and she has been increasingly annoyed by the growing influence of the United States government. In November, 1946, following the drafting of the Soviet Pact, the Iranian government granted to the American companies the concessions in southern and southeastern Iran which they had discussed in 1943. The Azerbaijan "incident" was not lost on the United States which has since maintained a military mission, part of whose responsibility is the reorganization of the Iranian army and gendarmerie. The United States has also promised the Shah \$26 million worth of surplus American goods.

Another illustration of government policy associated with "oil imperialism" is found in our financial and military aid to Greece and

Turkey, a policy begun early in 1947. While such aid was presented to the public as an effort to halt the spread of communism by upholding "democratic" governments and by providing economic stability in Greece and Turkey, it was also designed to protect our oil interest in the Middle East area. The Truman Doctrine was a clear indication that the United States was not going to allow Russia to fill the vacuum by British withdrawal from Greece.

Both the State Department and the oil companies denied that the Truman Doctrine had any connection with Middle Eastern oil. The Senate Committee on Foreign Relations, for example, asked the State Department how the Truman Doctrine was related to petroleum reserves. The reply: "It should be clearly understood that our program for assisting Greece and Turkey is not connected with any oil company concessions which Americans may have in the Near or Middle East. Our interest is in the preservation of Greece and Turkey as independent, democratic, economically sound states." At the same time that the Truman Doctrine was announced, two oil companies, Standard of New Jersey and Socony Vacuum, entered the Middle Eastern field by obtaining a right to buy shares in the Arabian-American Oil Company (Aramco), which is controlled by Texaco and Standard of California. This fact interested Senator Owen Brewster when Mr. W. S. S. Rodgers (president of Texaco) was testifying before the Committee Investigating the National Defense Program:

The Chairman. Was it entirely coincidental that the arrangement which you were discussing, under which you sold a 40 per cent interest for \$102 million, in what is certainly a very good business venture at this time, went through the same month that President Truman declared the policy for Greece and Turkey, as being spheres of interest in which we would take a most active part?

Mr. Rodgers. Absolutely coincidental. And we were amazed the following day or two days afterward, when we heard about it. If we had known about it, I think we would have probably held up as far as we were concerned.

Despite such statements, not all observers have failed to see any connection between

Greece and Turkey and the oil of Arabia. They have pointed out the strategic location of Turkey as a bulwark blocking Soviet penetration to the south and have noted how useless Arabian oil would be unless access to the Persian Gulf were assured in time of war.

A recent and very obvious example of the way in which oil has played its part in determining American foreign policy exists in the United States' attitude toward Palestine, which partly stems from the problems of construction of a Trans-Arabian pipeline. The idea of a pipeline to the Mediterranean Sea, originally proposed by Ickes in 1944, was revived in 1947. In fact, three pipelines were proposed. One of the lines was to run from Iran to Kuwait to a point on the Syrian coast north of Tripoli. This was to be constructed by the Middle East Pipeline Company, 40 per cent of which is owned by Standard Oil of New Jersey and Socony-Vacuum and 60 per cent by Anglo-Iranian. A second major pipeline was projected by a combination of Gulf Oil and the British-controlled Shell Corporation. This line was to run from Kuwait and Qatar to the Mediterranean. The most important line, on which construction was started, is the Trans-Arabian pipeline, currently referred to as "Tapline." This project is to be 1,034 miles long, extending from the vicinity of Bahrein in the Persian Gulf to Port Sidon in Lebanon. It is being built by Standard Oil of California and the Texas Company (Arabian-American) and has been joined by Standard Oil of New Jersey (thirty per cent) and Socony-Vacuum (ten per cent.)

In constructing the line, the companies had to obtain the consent of the rulers through whose territory the line was to be laid. Syria held them up for some time, but granted permission in September, 1947. Meanwhile the United States delegation lobbied through the United Nations General Assembly a proposal to partition Palestine between the Jews and the Arabs. The Arabs refused to agree to such a proposal and open conflict soon started. Obviously this fighting would be detrimental to the construction and maintenance of a pipeline which in many places is not buried but simply laid on top of the sand. And it would be difficult to

retain concessions granted by Arab rulers if these Arabs vigorously opposed the partition.

In December, 1947, Syria, saying that she would not give her consent to the pipeline because of the United States proposal of partition, switched her position. On February 22, 1948, the Arab League declared that it would bar the laying of the United States pipeline through Arab lands as long as the United States backed partition. On February 24, Mr. Warren Austin, American member of the Security Council, began to hesitate. We had already placed an embargo on arms shipments to Palestine. We now faltered on whether we would supply troops in order to enforce the partition plan. By the end of March, the United States had done a complete about-face. Austin stated that he would ask the Security Council to suspend the partition plan and to call a special session of the General Assembly for the purpose of establishing a temporary United Nations trusteeship over Palestine. This decision resulted in sharp repercussions within the United Nations and the United States. It was charged that the United States was being influenced by American oil companies. Secretary of State Marshall attempted to clarify the administration's position by saying that the reversal was due to unexpected opposition to the partition plan; that it was necessary to enforce the partition; and that such a force would include Russian troops. It is not difficult to understand the State Department's fear that Russia might get a foothold in the Middle East through this procedure. It seems a bit naive, however, for the State Department to have supposed that the Arabs would consent to partition in the first place. Plans for the partition of Palestine have been proposed several times in the past two decades and have been vehemently denounced by the Arabs.

In spite of Marshall's explanation, the interest which the administration had constantly been showing in the future of the American oil companies is hard to discount. It should be noted that the United States, through the Export-Import Bank, had authorized a loan of several millions to Saudi Arabia in 1946. More pertinent is the attitude which several high-ranking government officials displayed toward the construction of

the pipeline. This information was disclosed when Senator Wherry's Committee on Small Business objected to Secretary of Commerce Harriman's issuance of a license to the oil companies to export steel to Arabia during the steel shortage. The committee asked for some justification. Those who justified the shipments and the construction of the line were James Forrestal, Secretary of Defense, W. Averell Harriman, Robert A. Lovett, Undersecretary of State, Karl Anderson, aide of C. Tyler Wood, deputy to the Assistant Secretary of State for Economic Affairs, and the Navy Department. Forrestal said that the pipeline was essential to national interest and of even greater importance than similar work at home or in the Western Hemisphere. Lovett agreed, as did Anderson, the Navy Department, and Harriman. When issuing the export license, the Department of Commerce stated: "A license has been granted to the Trans-Arabian Pipeline Company for the shipment of . . . steel . . . After consultation with and recommendation by other interested government departments, the decision was reached that the strategical, political, and economic interests of the United States made such action desirable."

These interests, however, were apparently not so influential as American public opinion which supported the Zionists. On May 14, 1948, President Truman again reversed the United States' position by recognizing Israel only a few moments after the Jewish nation was proclaimed. A month later the pipeline project was abandoned.

The question of Palestine thus focused attention on the "strategical, political, and economic interests" of the United States in connection with petroleum. Although government policy seems to have been determined by a regard for the strategic possibilities of Middle Eastern oil, it is not at all clear that this oil can help the United States in a full scale war. In discussing oil and strategy, we must immediately face the overwhelming and vital fact that Arabian oil is virtually defenseless. A pipeline lying on the surface could easily be bombed or sabotaged. Even with small-scale disturbances, such as those in Palestine in 1948, pipelines are sometimes useless. (The refineries at Haifa, served by pipelines from Iraq, closed on April 17,

1948, when the Iraq government forbade the flow of oil.) Tankers must operate in the narrow confines of the Persian Gulf. Russian troops (if the enemy were Russia) could occupy Iran with little opposition. The refinery at Ras Tanura is about 800 miles from the Russian border, and there are no imposing natural barriers between Russia and the oil-producing areas. In fact, the roads constructed during the war through Iran to accelerate Lend-Lease deliveries to the Soviet Union, would provide highways whereby land forces could readily occupy the Middle Eastern area. In a word, the strategic significance of Arabian oil is dependent upon military control of, and access to, the producing regions.

In spite of this obvious and overwhelming fact, numerous government officials have insisted on the importance of Middle Eastern oil for the defense of the United States. Not least among these is Secretary of Defense Forrestal who, while fully cognizant of many objections, doubts, and charges of "imperialism," testified that he thought there could be some method arrived at by which we could have access to Middle Eastern oil in times of emergency for the armed forces. It should be pointed out that Secretary Forrestal was formerly president of Dillon, Read & Company, a banking firm having considerable financial interest in the companies which control Aramco.

Even if the United States government should overrule these considerations and decide that control of Middle Eastern oil is essential to national defense, the vast question of the relationship between government and business must be raised. Some suggest that free enterprise should prevail entirely, leaving the oil companies to carry on their own development in the Middle East unassisted by the government. In case of war, the oil companies would supposedly operate in the interest of the country. A good many precedents, however, show that such a policy does not always work. The Kilgore Committee investigations have demonstrated that cartel agreements sometimes operate against the best interest of the nation. The Brewster Committee has shown what happened during World War II in the oil companies' dealings with the government.

Consider the prices demanded for oil. According to testimony before the Brewster Committee, the first price of \$1.02 per barrel, tendered by Aramco's predecessor, was refused by the Petroleum Administration for War as too high. P.A.W. believed that 84 cents per barrel would be a fair price. Although the United States was at war, the company would not compromise. Later, in 1945, the Navy negotiated for oil. The company refused to supply cost data. (The cost of production at that time was 40.6 cents per barrel.) A price of \$1.05 was demanded and, as the need for oil was urgent, the Navy agreed to the price.

The additional 21 cents (over the 84 cents considered fair by P.A.W.) was justified by the Navy on the grounds that it was warranted by an additional 21-cent royalty paid by Aramco to Ibn Saud. Brewster's committee showed that no such additional royalty was in fact paid. The committee further revealed that the naval officer who wrote the justification was in civilian life an assistant manager in a Socony-Vacuum subsidiary. Shortly after the agreement with the Navy, Aramco sold oil to the French government for 90 cents a barrel. After the Brewster Committee made this information public, the Navy department further justified the contract by pointing out that the \$1.05 price was 79 cents lower than the average price for comparable Gulf coast and Aruba oils.

The important point is that the Middle East is not defensible and in consequence the oil may not be available in war-time. Government interference will not guarantee access to the refineries. On the other hand, the government could explore the methods whereby discovery and exploitation of oil resources, usable during a national emergency, could be carried on. This program would include conservation and construction of pipelines, together with research on, and construction of, pilot plants for production of synthetic oils. The United States has almost limitless supplies of natural gas, shale, and coal from which refined petroleum products can be made at prices estimated at about 5 cents more per gallon than products made from natural petroleum. True, oil production from synthetics is complicated and costly; subsidies and research (already carried on modestly by

the Bureau of Mines, which granted \$30 million in 1944 for a five-year program) might be opposed by private oil producers. But in the long run, such a policy might well be more in the public interest than imperialistic entanglements in the Middle East.

But obviously there is no simple or ready-made solution. Only two alternatives presently appear plausible, but they are equally unsatisfactory and neither a guarantee of peace. The United States could renounce "oil imperialism" and deny support to American companies in the Middle East. In that event, Russia might fall heir to the richest oil deposits in the world and thus possess an almost unlimited potential for war. The other alternative would have the United States strongly back the economic interests of private companies. But if she consistently applies this doctrine throughout her foreign policy, she must occupy or strengthen every area into which Russia might expand. That this latter assumption has been accepted by policy-formers in the Department of State is clear to anyone who has read Mr. X's argument for "containment" in his article "The Sources of Soviet Conduct." It is not equally clear that such a policy will make for peace or stability.

The total problem nevertheless cannot be reduced to the simple issue of the United States versus Soviet Union. Rivalries with various states, strategic considerations, national policies, and the conflict of private and public interest are all going to continue to react on each other until the resolution of the diverging elements into a consistent whole may become virtually impossible. If a thorough study of the issues does anything at all, it suggests that the problem is a complex and chaotic one. Historians are likely to be reminded of the Schleswig-Holstein question, which Lord Palmerston claimed was so complicated that it was understood by only three persons: Prince Albert, who was dead, a Dane, who had gone mad, and himself, who had forgotten it. The comforting part of the analogy is that the Schleswig-Holstein question ranks no longer as a significant international problem; but the unhappy part lies in the fact that ultimate solution was not peaceful.

ECONOMIC PLANNING:

By Whom? For Whom?

By BENJAMIN HIGGINS

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THE issue of our era might be resolved into two questions concerning economic planning: by whom and for whom? Political differences in most of the more advanced countries spring largely from divergent views on the answers to these questions. The growing friction in international relations results mainly from the clash of two rival ideologies concerning them. It is, therefore, of interest to compare the answers to these questions by the three leading contemporary schools of professional economists: the Marxists, the Keynesians, and the "Chamber of Commerce," by which label I shall designate economists in the employ of business and finance, as well as organized business itself.

The Chamber of Commerce answer to the two questions is that there should be as little centralized economic planning as possible. Economic planning should be done mainly by businessmen, with the role of government restricted to policing. Planning should be done for "good business" on the grounds that what is good for business is necessarily good for society as a whole. This attitude is well expressed in a recent publication of the United States Chamber of Commerce:

Under our economic system, the government has confined its activities, at least until within the last decade or two, largely to keeping law and order, serving as umpire, enforcing competition, establishing the currency, and carrying on certain major activities such as highways, education, sanitation, and a few others which were believed generally to be beyond the competence of individual enterprise A free economic society is essentially voluntary; directives,

orders, and regimentation are kept to a minimum. This economic system may be described as a free market economy; the individuals are loosely knit together through voluntary cooperation under which each expresses his participation by his demand for, and supplying of, goods and services through the free pricing system.

The Keynesian insists on as much centralized planning as is necessary for the achievement of full employment without inflation, to improve the allocation of resources, to reduce the inequality of the distribution of income, and to stimulate economic progress. Most Keynesians would probably argue that policies for the achievement of these objectives must be formulated originally by experts, many of whom would necessarily be in the government employ. They would also demand that the legislation and execution of the plans be carried out through the usual machinery of responsible and democratic government. Finally, the planning would be done—as the list of objectives itself suggests—for society at large.

Paradox though it may seem, the Marxists are the one group of economists who aim ultimately at complete absence of economic planning by the state. Under full-fledged communism, the society would be classless and therefore stateless. According to Marxist theory, the state is simply one of the instruments by which the dominant economic class carries out its aims. Under communism, "government over people" gives way to "administration of things." Once full-fledged communism is achieved, universal abundance will prevail; all members of society will share in the national income according to their

needs; and no conflict will arise in the satisfaction of individual wants. Consequently, a system of anarchy will serve society in a perfectly smooth and orderly fashion. However, in the transitional stage of "socialism," which most Marxists expect to last a very long time, economic planning must be extended to every aspect of production and distribution of goods and services. Planning will be done by the "proletariat," through their chosen representatives, and for the workers, defined so as to include all "useful" members of society.

These three divergent attitudes towards economic planning rest upon differences in the fundamental economic theory of the three groups. According to Chamber of Commerce theory, the free private enterprise system is intrinsically competitive, flexible, and efficient. It is prevented from functioning perfectly at all times only by lags, frictions, price rigidities (particularly rigidities in wage rates and interest rates), and by misguided government intervention in economic affairs. It is also an essential aspect of Chamber of Commerce theory that *both* savings and investment must be encouraged if economic progress is to continue.

ECONOMIC THEORY

Keynesian economic theory is characterized by its concentration upon the equilibrium of economic factors, with special emphasis upon a few strategic determinants of the level of national income and employment. The theory leads to the conclusion that full employment equilibrium is a "special case," unlikely to appear often in a capitalist society in which management of economic affairs is left to businessmen, investors, and consumers alone. The Keynesians have emphasized the strong possibility that in highly developed economies, there will be a *chronic* tendency for savings to exceed investment at high levels of employment, leading to more or less continuous and perhaps growing unemployment unless appropriate policies are adopted. A second major conclusion of Keynesian political economy holds that the bad performance of capitalist economies is unnecessary, and that expert management by government can make the capitalist system function efficiently.

Marxist economic theory is primarily a theory of capitalist development. As such,

it has wide acceptance among economists who would not call themselves Marxists, let alone Communists. Indeed, it is probably safe to say that no consistent theory of capitalist development has yet been produced which is not closely similar to the Marxist theory. The key phenomenon of the Marxist theory is the tendency for the rate of profit to decline as a country advances to a high degree of capitalistic development. This leads to imperialist wars, to the squeezing of labor in an effort to protect profits, and ultimately to the collapse of capitalism through the revolt of the working class.

The differences among the three types of economic theory lead to differences in the characteristic policy recommendations of the three groups. The Chamber of Commerce economist, proceeding logically from his theory, recommends policies for the removal of institutional imperfections in the capitalist system. Thus, he supports the antitrust laws, often with the rider that similar legislation is necessary to check the growing power of "labor monopolies." He is also in favor of legislation to control the operation of the banking system, so as to alleviate the variations of credit supply which he links closely with economic fluctuations as a whole. He is also in favor of tax reforms, particularly those which remove taxes that he considers discouraging to savings and investment. So far as unemployment and inflation are concerned, he still hopes to find "the" cause of the business cycle. Having found it, he would then perform a simple operation to remove the cancer, after which the economic organism would remain healthy without further treatment by government doctors.

The Keynesian recommends mainly policies for the guarantee of an adequate flow of total spending—enough to maintain full employment but not so much as to create inflation. However, he selects these policies in such a way as to promote simultaneously the improvement of income distribution, a more efficient allocation of resources, and healthy economic expansion. Contrary to the Chamber of Commerce, however, he does not believe that these objectives can be obtained by surgery alone; he believes that the sick capitalist economy will need more or less con-

tinuous treatment if it is to give a semblance of health in its day-to-day working. Consequently, he recommends government expenditures for social welfare and economic development, varying inversely with the volume of private spending over the business cycle. He would reduce taxes (especially taxes on lower income groups) in periods of depression, and raise them (especially on higher income groups) when inflation threatens. The expenditures recommended include such projects as slum clearance, low rental housing, and urban redevelopment; soil conservation, flood control, and river valley development; family allowance, old-age pensions, and unemployment insurance; government sharing of risks of private investment; government gifts and loans to expand foreign trade.

Marxist economic theory, concerned as it is with the nature of capitalist development and the inevitability of capitalist breakdown, provides no basis for policy recommendations within the capitalist framework. Marxists will, of course, have views about particular economic policies proposed for capitalist countries. These views will not, however, be based upon Marxist economic analysis of the effectiveness of these policies for achieving the objectives for which the capitalist government proposes them. The Marxist will consider them rather from the point of view of their immediate impact upon the condition of the workers and from the ultimate effect upon the advent of capitalist collapse. Here the Marxist has sometimes found himself in a dilemma, for a policy which would improve the lot of the worker in the short-run might postpone the complete collapse of capitalism and the establishment of the socialist state. Anglo-American Marxists, when faced with this dilemma, have usually backed social reforms which seemed to them to bring clear-cut short-run gains to the working class.

Moreover, Marxist economic theory does not provide a basis for *socialist* economic planning either, as Lenin himself pointed out. Apart from a few references to the transition from socialism to communism and the "withering away of the state," Marxist theory provides no guide for the day-to-day

decisions that must be made by administrators of a socialist economy. In the U. S. S. R., plans closely akin to those of the Keynesian and neo-classical economists have finally been evolved by trial and error, with a degree of bungling and hardship which could have been avoided if these principles had been understood from the beginning. Even now, the reluctance to relinquish an inadequate labor theory of value for a more complete theory, that takes account of relative intensity of desire ("relative marginal significance" in neo-classical terminology), as well as all relevant social costs, results in some inefficiency and misallocation of resources.

It is hardly necessary to elaborate on the attitude of the Chamber of Commerce towards the Marxist. A recent publication of the United States Chamber of Commerce dismisses communism as "all pervasive tyranny," and Marxism as "blind fanaticism." The genius of Marx is not denied, but it is contended that his system of analysis breaks down because of the erroneous nature of some of his basic premises.

The Chamber of Commerce attitude towards Keynes is not very different from its attitude towards Marx. Indeed, efforts have been made recently by business economists to prove that Keynesian ideas are "not greatly distant from neo-Marxist thinking." Stuart Armour, economic adviser to the Steel Company of Canada, has recently indicated that "present day socialism outside of Communist Russia owes more to Keynes than to Marx." Emerson P. Schmidt, Director of Research for the United States Chamber of Commerce and his associate, Ernest W. Swanson, contend that the Keynesian approach to economic problems is very similar to the Marxian, and that Keynesian theory is "just a more modern approach to the oversavings idea." They ask "whether the great depression or Keynesian ideas led to the greatest difficulties" in the 1930's, and suggest that Keynesian theories were "politically induced" to be "convincing in the halls and cloakrooms of the capitol" by men "eager to prevent workable private enterprise" in order to become "economic controllers."

The Keynesian is essentially an eclectic. He can apply the Marxist theory of development where it fits, and is quite willing to utilize the neo-classical tools, on which the Chamber of Commerce economist relies to the exclusion of all others, whenever these tools are appropriate for the job in hand. However, the Keynesian would point out that the Adam Smith, whom the Chamber of Commerce so much admires, was himself an economic interventionist of the first order, recommending legal limitations on profits, minimum wage legislation, price controls on necessities, and smashing of monopolies. It was Adam Smith who said:

People of the same trade seldom meet together even for merriment and diversion, but the conversation ends in a conspiracy against the public, or on some contrivance to raise prices.

As Joseph Schumpeter has put it,—

If we analyze his argument closely, it amounts to all-around vituperation directed against 'slothful' landlords and grasping merchants or 'masters' plus the famous eulogy of parsimony.

The Keynesian would also argue that monopoly and a tendency towards excess savings in advanced countries are inherent in the capitalist system.

The role of government in economic life cannot be limited to eliminating institutional imperfections and then withdrawing, leaving the capitalist economy as a sort of smooth-working perpetual motion machine requiring no further governmental assistance or control. Keynesian theory shows that it is by no means certain that the removal of those rigidities on which the Chamber of Commerce concentrates its attack, (wage and interest rate rigidities) would make the system work well even if it could be done.

For the most part, Keynesians do not much care whether the good life is attained under capitalism or under socialism. They feel that they can formulate effective economic policies for either system but also recognize that both systems present extraordinary political and administrative difficulties in executing policies. Different Keynesians assess dif-

ferently the relative possibilities of achieving economic goals and basic freedoms in the two systems; accordingly, despite agreement on economic grounds, some Keynesians fall on one side of the political fence, some on the other, while a good many remain perched precariously on the fence itself.

Some of the more pessimistic Keynesians are inclined to think that only a socialist government could carry out the policies necessary to make capitalism work—and would a socialist government want to do that? These pessimists might also add that only business managers, teamed up with Keynesian economists, could make socialism work—and what socialist government could be relied upon to retain business managers and Keynesian economists?

Keynes himself was far from being a socialist. He once wrote, in explanation of his reluctance to join the Labor Party:

To begin with it is a *class* party, and the class is not my class. If I am going to pursue sectional interests at all, I shall pursue my own. When it comes to the class struggle as such, my local and personal patriotisms . . . are attached to my own surroundings. I can be influenced by what seems to me to be justice and good sense; but the *Class* war will find me on the side of the educated bourgeoisie.

Later, he said with regard to communism:

How can I accept a doctrine which sets up as its bible, above and beyond criticism, an obsolete economic textbook which I know to be not only scientifically erroneous but without interest or application for the modern world? How can I adopt a creed which, preferring the mud to the fish, exalts the boorish proletariat above the bourgeois and the intelligentsia who, with whatever faults, are the quality in life and surely carry the seeds of all human advancement? Even if we need a religion, how can we find it in the turbid rubbish of the Red bookshops?

The British business and financial community, which had an opportunity to observe at first hand Keynes' brilliant success as businessman and financier, assessed more accurately than their American and Canadian counterparts the role of Keynes in the development of political economy.

Thus *The Times* (London) wrote:

But it is strange that he should have come to be regarded as an annihilator of the established doctrines. Keynes himself claimed something more limited—a new “vitally important chapter.” He conceived his final “general theory” less as a disagreement with orthodoxy than as a supplement also at work.

Since Keynes was not, as the Chamber of Commerce would have it, essentially an “iconoclastic economist,” but was rather the heir to the liberal tradition of Anglo-Saxon economics, it follows that the tribute paid in Keynes’ last article to Adam Smith of which the Chamber of Commerce has tried to make so much, was no “recantation.” Keynes’ statement that

there are in these matters deep undercurrents at work, natural forces one can call them, or even the invisible hand, which are operating towards equilibrium. If it were not so, we could not have got on even so well as we have for many decades past I do not suggest that classical medicine will work by itself or that we can depend on it. We need quicker and less painful aids . . . but in the long run these expedients will work better, and we shall need them less if the classical medicine is also at work.

did not, as Mr. Armour so confidently predicted, “set economists by the ears.” In the first place, the statement was not surprising. Keynes had never failed to recognize the fundamental truths in classical economics. In the second place, this article and these statements were concerned only with policies for dealing with the American dollar shortage; no careful reader of the article could possibly conclude with Messrs. Armour and Schmidt that the article indicated a loss of Keynes’ own faith in “devices aimed to offset the effects of the operations of natural economic forces.”

The attitude of the Marxist towards the Chamber of Commerce economist requires no more elaboration than the attitude of the Chamber of Commerce towards the Marxist. To the Marxist, any business economist is necessarily an apologist for the capitalist system, because of the very

nature of his employment. Just as the Chamber of Commerce makes no sharp distinction between the Marxist and the Keynesian, so the Marxist makes no sharp distinction between the Keynesian and the Chamber of Commerce. Thus Mr. William Foster says:

The Great Crisis of 1929-33 not only undermined the economic structure of capitalism, but exposed the bankruptcy of capitalist political economy. Therefore, two things became urgently necessary for capitalist defenders and apologists, namely, to adopt emergency economic measures to shore up the tottering capitalist system and to make a re-formulation of the general hocus-pocus that passes for capitalist economic theory. Efforts were made from many quarters by practical politicians and economists to satisfy these burning needs of stricken world capitalism; but the man who achieved the biggest reputation in this futile task was the well-known British economist, Sir John Maynard Keynes. As first-aid doctor to sick capitalism, Keynes finally became the leading economist of the bourgeois world Fundamentally, Keynes’ system is an attempt to save capitalism and capitalist profits by solving, or at least by seriously mitigating, the growing menace of mass unemployment.

So far as attitudes towards Keynesian economics are concerned, it is possible to subdivide Marxists into two groups; those Marxists who have read and understood Keynes, and those who have not. The attitude of the first group is that the Keynesian economic analysis is essentially valid, and that their policy recommendations might work if adopted, but that they have no chance of being adopted in the capitalist system. Thus Paul M. Sweezy writes:

When we turn to the question of the relation between economics and politics, we shall find that the Keynesians hold a *deus ex machina* theory of the state. They are not all agreed on what the state should do, but each has his own recipe for full employment, higher living standards, and lasting prosperity. These programs for the most part are logically consistent and highly persuasive. They make the task of social betterment sound easy, or if not easy, at any rate uncomplicated. What is needed is education (naturally along

Keynesian lines), for when people—at least the right people—come to understand what is the matter and how it can be remedied, can there be any doubt about the outcome? What the Keynesians overlook, or at least completely miss the implication of, is that every one of these schemes which deserves to be taken seriously would involve redistributing income in favor of the poor, curtailing the power of capital, and enhancing the power of labor. It is simply utopian to expect the state in a society where all the levers of control are in the hands of the capitalist class to embark upon such a course.

Similarly, Lawrence Klein argues:

Keynes, it has been stressed, is not a radical. He wanted to reform capitalism in order to make it work better and to preserve it. How is it possible that any capitalist could object to a policy of the preservation of capitalism? The answer is that many capitalists are unaware of the precarious state of the system during a period of serious depression, and do not see the proper relationship between their own position and that of the system as a whole. It is inevitable that most of the effective measures listed in the full-employment legislation above will be strongly opposed by some group of the capitalist population.

The second group of Marxists goes farther in its criticism, insisting that the Keynesian analysis involves critical errors and that, consequently, the Keynesian policies could not make capitalism work really well even if they were adopted. Mr. Foster, for example insists that—

Keynesism cannot achieve its avowed goal of permanent full employment within the framework of the capitalist system. This is so because it does not remove the fundamental cause of mass unemployment, namely, the basic contradiction between the social character of production and the private character of appropriation. Keynesism deals with symptoms, not basic causes The molehill of government public works expenditures cannot offset the mountain of surplus value stolen from the workers by the capitalists.

It is clear that the extreme Marxist view of Keynesian economics and the extreme Chamber of Commerce view cannot both be right. How is it possible for one group of scholars to regard Keynesian

economics as a more refined version of the socialist arguments for interventionism, and another group to regard Keynesian economics as simply a more sophisticated kind of capitalist apologetics?

The answer to this question lies in the similarities of Marxism and the Chamber of Commerce. Both have much the same ideas about the nature of "truth" in the field of economics. Both deny the usefulness of abstracting economics from its political context. Both argue that attitudes towards economic policies depend mainly on who butters the economist's bread. Thus the Marxist argues that the Keynesian is usually an apologist for the capitalist system because he is hired either by academic institutions or by governments, and both academic institutions and governments are merely creatures of the ruling capitalist class. The Chamber of Commerce, in similar vein, argues that because Keynesians work mainly for universities or government departments, they have acquired an anti-business bias.

The Chamber of Commerce sometimes seems to suggest that "truth" in economics is a mere matter of opinion—almost a matter of taste. Mr. Schmidt even goes so far as to state that the widespread agreement among economists on the truth of Keynesian economics is a phenomenon "which may yet call for a study of crowd behavior among them." It does not seem to have occurred to Mr. Schmidt that the widespread acceptance of the basic principles of Keynesian economics—after several years of scrutiny, criticism, elaboration and revision—may be the result of nothing more complex than the recognition that these principles are true!

Both the Marxist and the Chamber of Commerce also challenge Keynes' economics for its lack of realism. The Chamber of Commerce tends to argue that the Keynesian is in no position to express judgment of economic policies because he has never met a payroll. The Marxist condemns the Keynesian because, sheltered in his ivory tower, the Keynesian has never been compelled to face the hard facts of life. He is, therefore, unaware of political and historic currents, and under-

estimates the failure of the capitalist system. The Chamber of Commerce attitude in this regard is as sensible as an argument that any errand boy can replace a member of the board of directors because he works in the same business, or that any bank clerk could be an efficient president of the International Bank because he handles money. The Marxist argument is as sensible as arguing that anyone who has even been sick has a right to practice medicine. The truth is that *only* the economist who is well acquainted with all the tools of his trade, who utilizes them in any efficient and responsible manner, and who analyzes objectively *all* the facts relevant to an economic problem, can approximate "realism" in his policy recommendations.

In a democratic society—whatever its economic and social structure—the formulation and execution of effective economic policy must be left largely to the expert if it is to be effective. The role of the electorate and of the legislature must be confined to the determination of broad objectives to be sought. How important, for example, do the people regard full employment, stable prices, equalization of income, various freedoms? These things the people must decide.

If we are to have labels for economists at all, let us stick to the labels "good" and "bad." A good economist, like a good carpenter, is recognized, not by his manners, his friends, his tastes, or even by his political views, but by the extent of his acquaintance with the tools of his trade, and the competence and responsibility with which he uses them.

"Good" economists in this sense are to be found in both the Marxist and Chamber of Commerce camps, but more are to be found among the Keynesians. The reason is simple enough. The typical Keynesian has no particular brand of social system to sell. He does not reason from any preconceived convictions regarding the relative merits of socialism and of free private enterprise. He regards both systems as means to given ends and not as ends in themselves. He is consequently in a position to examine both with a dispassionate eye. He believes that society

wants full employment without inflation, an efficient allocation of resources, more equitable income distribution, and rising standards of living. As an economist, the Keynesian wants to intervene only when and where the free market fails to achieve these objectives, but insists on as much intervention as is needed to achieve them. No one in either camp who accepts these ends need fear him. The problem boils down to one of discovering just how much and what kind of intervention is necessary for the achievement of accepted goals of economic policy. Most Keynesians feel that either a socialist or a capitalist system can be made to work reasonably well from an economic point of view; that the basic economic problems are the same in either system; and that Keynesian analytical tools are useful in both. Of course, Keynesians are people as well as economists, and as people they may have preferences for one system or the other, based on political, sociological, ethical, or purely emotional grounds. But it is important both for the economist and for society that preferences based on these considerations be kept sharply distinct from conclusions reached on the basis of economic analysis.

In the past, the capitalist system has not done a very good job with regard to the first three of the goals listed above. It has produced a praiseworthy degree of technological progress and increased productivity; but so has Communism in Russia and Shintoism in Japan. There seems little reason to suppose that, in the absence of appropriate policies, the system will work better than it has in the past. Indeed, with the weakening of some of the factors that contributed to capitalist expansion in the nineteenth century (such as population growth, the opening of new lands rich in natural resources, and the development of heavily capital-absorbing industries), it may work worse. In that case, one thing seems clear. If the Chamber of Commerce perseveres in its current antagonism towards Keynesian policies, sooner or later the Marxists will turn out to be right.

UNION LABEL

WELFARE WORK

By MARK STARR

Educational Director

I.L.G.W.U.

Union aids to health and welfare

THE New York Clothing Manufacturers Exchange, in conjunction with the Amalgamated Clothing Workers of America, has built a million-dollar health center for union members in New York City. The Union Health Center of the International Ladies' Garment Workers' Union, modestly begun in 1913, officially took over a huge 26-story building on Seventh Avenue to provide increased facilities. It opened for full operation in February. The same union announces the functioning of clinics and health centers in Fall River and Boston, Massachusetts; in Allentown, Harrisburg, and Philadelphia, Pennsylvania; and in St. Louis, Missouri. The I.L.G.W.U. Balance Sheet for 1947 recorded contributions from employers to funds for paid vacations, health services, and retirement amounting to \$25 million. At long last, the neglected miners received attention and, in the United Mine Workers Convention, October, 1948, John L. Lewis reported that, in the first months of operation, the welfare and retirement funds had already paid out \$42 million. The Boone Report in 1946 described health conditions in the mining communities as "deeply disturbing," and the United Mine Workers Fund proposes to provide medical care and hospitalization for all soft coal miners. The official union journal of November 15, 1948, reported the appointment of ten full-time medical staff members who will work in ten areas under the Medical Advisory Board of the Fund. This Board

includes top-flight medical authorities with nation-wide reputations. The Fund originates in a royalty of twenty cents per ton. Miners may retire at 62 years of age after 20 years of service and receive \$100 per month. A widely publicized interview with John L. Lewis insists that each industry should bear its own accident and pension costs, that the Fund pensions be "super-imposed" on the small payments from governmental social security. Miss Josephine Roche, director of the Fund, reported in the same interview:

Up until the first of October, 1948, there were a total of 169,897 beneficiaries receiving disability grants. That includes maimed, disabled men, permanently and totally disabled, their wives and children. Also among these 169,897 a little over one-quarter of the number were widows and orphans. Many had been left widows by their husbands' being killed in the mines. Death-benefit payments of \$1,000 were made to approximately 9,000 widows and dependents. There was nearly a year's delay in activating the 1946 fund because of the delays of the government. Death benefits are made for deaths occurring on or after May 21, 1946, so that there were these widows and orphans who had been waiting for a year that we had to take care of. The hospital and medical-care program is just getting under way. We have done some specialized work for some 200 paraplegic cases—many of them had been for 13 or 14 years lying absolutely helpless.

All in all, as of October 1, there have been approximately 200,000 beneficiaries aided by the fund.

The disability awards are \$60 a month for a disabled United Mine Workers of America mineworker, \$20 for his wife, and \$10 for each child. The average payment has been running around \$61 a month. From the maximum we can grant we deduct anything that the beneficiary may be receiving in the form of old-age insurance, workmen's compensation or regular income. The widows receive \$60 and \$10 for each child, and orphan children receive \$25.

A later report said that by December 31, 1948, 260,123 beneficiaries of the Fund had received in all \$68 millions. About half a million dollars has been earmarked to overcome silicosis, the dreaded disease of the miners.

The size of the Miners' Fund, the dramatic stoppage by which it was secured, and its source by a direct flat levy upon every ton of coal are distinctive features. Many other unions, however, are operating plans with death and sickness benefits, medical care and hospitalization, vacations with pay, old-age pensions, and retirement funds. Unions have always assisted their members to get accident compensation and unemployment payments when legally due. Some have run educational campaigns to inform their members of their rights in these matters just as they did about minimum wages and the clauses of the union agreement. As an alternative to dismissal wages for disemployed workers, the American Federation of Musicians has set up a fund based on a royalty paid for recordings, estimated to produce \$2 millions yearly. They have used the fund to employ their own members to give free concerts in public parks, schools, and hospitals.

In most instances, welfare funds are created by a payroll tax, supplemented in some instances by union members' contributions. Such plans are always considered to supplement and not supplant federal and state social security. The unions run pilot plans to show what can be done, and they support wholeheartedly the various health and social insurance bills and the plans proposed recently by Oscar R. Ewing, Federal Security Administrator.

The Federal Old Age and Survivors pensions under the current Social Security laws are so beggarly, relative to the cost of living, that it is expected that Congress will double the benefit. Under the most favorable circumstances, it amounts to \$44.80 a month at 65 years. In "double play," both the A.F.L. and C.I.O. have introduced far-reaching proposals for increasing the payments of worker, employer, and the government. President Truman, who campaigned for increased social security, has received from the A.F.L. a proposal which would eventually quadruple the payroll tax of the employer and employee to a maximum four per cent each, with the government possibly contributing an additional four per cent. The A.F.L. would include seven million persons now excluded from unemployment insurance, derived wholly from employer contributions. Benefits would be doubled in most cases. Compensation for wages lost through illness, the unification of state unemployment systems into a federal plan with greater payments, and the setting up of a national health insurance service with freedom of choice of doctor or dentist were included. The only reservation made by the C.I.O. in its plans is a reluctance to see the workers' contribution go above two and one-half per cent and the employers' four per cent. The C.I.O. favors greater support derived from general taxes. As the new deduction proposed by the A.F.L. is two and three-quarters per cent, the differences between the two groups are small.

Some of the unions active in this field in addition to those already mentioned are: the United Auto Workers (C.I.O.) which is currently asking a \$100-a-month pension plan in addition to health, hospitalization, and surgery benefits (such proposals, if financed by the employer at 70 per cent of the cost, are said to be equivalent to a wage increase of 15 cents per hour); The Furriers' Union; Furniture Workers; Hotel and Restaurant Workers in New York City; the International Brotherhood of Electrical Workers; Federation of Dyers; Hat and Millinery Workers Union; Upholsterers; Hebrew Butcher Workers; Retail, Wholesale and

Department Store Employees; Hosiery Workers; and Textile Workers (C.I.O.). The Brotherhood of Painters in New York City get employer-financed benefits through the Health Insurance Plan, New York. And the list increases.

The variety of the benefits, the methods of their financing, administration, and control, and current proposals for improving health insurance are too extensive to be treated here. Hardly any of the plans are completely alike in every detail. Some are operated by outside insurance companies and hospitals; others are operated directly by the unions. Some are concentrated and standardized; others vary from local to local.

STEEL WORKERS

The A.F.L. Convention, November, 1948, reported that, according to incomplete returns, its constituent unions had provided sick, death, and unemployment benefits amounting to nearly \$70 millions. Out of this total, the I.L.G.W.U. reported \$15 millions, International Typographical nearly \$11½, and the Brotherhood of Trainmen \$8 millions. The United Steel Workers are expected to revive this spring the welfare demands made last year upon United States Steel Corporation:

(1) life insurance for covered employees amounting to 18 months of the average wages of the individual, an average of \$5,400; (2) a fully paid-up life insurance policy amounting to \$1,500 for employees reaching the age of 65; (3) hospitalization benefits of \$8 per day up to a year, provided by the company for employees, and their wives and minor children; (4) payment by the company of \$35 per week to employees off work on account of sickness; (5) reimbursement for surgical expenses up to \$225 per case for an employee or his family.

Unions have always tried to provide security and protection for their members. It is the size and source of the current activities which deserve attention. World War II stimulated the movement because when wages were fixed, schemes for health care, vacations with pay, pensions,

and other "fringe benefits" were approved in lieu of wage increases. Some employers insisted that such "fringe benefits," such as health and pension plans, were not properly within the scope of collective bargaining, but the National Labor Relations Board was upheld in its ruling that to refuse to bargain about them was a violation of the Taft-Hartley Act. The Department of Labor, in commenting on the decision, reported in September, 1948, that health and welfare plans established by collective bargaining now cover over three million workers.

Some conservative economists (e.g., Leo Wolman) see in union welfare plans only additional evidence of the monopolistic power created by industry-wide bargaining. But radicals have no monopoly in the advocacy of public health service and collective enterprise in this field. The conservative Sumner H. Slichter in his "The American Economy" (1948) asserts: "It is obviously preposterous that anyone should fail to obtain medical service because he is unable to pay for it, or that he should receive medical service as charity rather than as a matter of right."

Indeed, some enlightened employers recognize that, for example, pension plans create incentives in the lower ranks as well as among the top executives who usually expect and get them. Healthy workers freed from anxiety are more productive workers. Losses created by labor turnover, by absenteeism due to ill health, and by poor workmanship and lack of interest are reduced. The community eventually has to pay the bill when some 500 million man-days are lost through sickness and accident. In some instances, the employer has financed welfare work without an increase in the price of his product; in coal, the price of coal was increased by the royalty. Welfare provisions seem a legitimate part of the cost of production.

Before the "company unions" were outlawed, health group insurance was an important feature of their activity. The genuine unions which replaced them had to meet the same needs for security. And,

incidentally, the administration of large welfare funds, jointly with employers in some cases, will have a stabilizing effect upon the union as well as upon the industry. Dr. Frank Tannenbaum envisages that the unions will "assume a role in the modern corporation by buying into it" when restrictions upon union welfare funds investment are altered. The union most certainly will be more active in training apprentices, more interested in healthy and safe work conditions, (e.g., the T.W.U.A.-C.I.O. recently published a manual on air-conditioning in textile mills), and in maintaining the prosperity of an industry.

Not so long ago in American industry, the worker feared a medical exam as a

means to victimize an active union worker. Now, with union counsellors, as trained in Chicago and Philadelphia, and with health wardens in the workshop, effective health campaigns, medical exams, X-ray check-ups can be carried through with all the great advantages of preventive medical care. The unions have demonstrated the effectiveness of collective enterprise and action in overcoming the sweatshop and other evils. They bring that experience to health activities. Welfare work, built upon cooperation between management and labor, and reinforcing general social security plans, can range from the womb to the tomb, from the pre-natal clinic to the crematorium, and can immeasurably increase human well-being.

Mount Holyoke College Institute on the United Nations

The second session of the Mount Holyoke College Institute on the United Nations will be held from June 26 through July 23, 1949. The Institute will again provide men and women concerned with world affairs with an opportunity for study and discussion in small groups with United Nations leaders, officials of the United States and foreign governments, and other specialists in international affairs.

Inaugurated last summer under the sponsorship of Mount Holyoke College, the Carnegie Endowment for International Peace, and 23 other sponsors including individuals and 5 New England colleges, Amherst, Brown, Smith, Wellesley, and Williams, the Institute is open to men and women able to make a direct contribution to international understanding in their communities: for example, college professors; teachers in secondary and normal schools; heads of international relations programs in clubs and civic organizations; radio and newspapermen; clergymen; librarians; and leaders in workers' education. A limit of 100 members has been set for each of the four weeks to permit a high degree of individual participation.

Fees for the four-week session are \$225, which includes \$85 for tuition and \$140 for board and room. For a single week, charges are \$25 for tuition and \$35 for board and room. A limited number of scholarships are available. Applications for admission and scholarships should be made immediately.

Address all communications to: Mary J. Levy, Executive Secretary, Mount Holyoke College Institute on the United Nations, South Hadley, Massachusetts.

Riding the Berlin Airlift

ONE night recently, I rode the airlift to Berlin. In a few short hours, I saw a million pounds of food and coal dive out of the rainy sky to feed and heat the hungry people in this dazed and battered city. I saw American boys perform the impossible, exultantly, to feed their enemies of three short years ago.

Today the enemy is starvation. The Russians are its allies. And if it weren't for the ingenuity and skill, and the stupendous courage of these American kids, starvation would long since have won this cold and gnawing war.

Three hundred miles from here, beyond the last sullen outposts of the Russian zone, is the great American-built airport called Rhein-Main. There, and at other flying fields, an endless parade of trucks hauls in the food and fuel, and there the big planes take off on "Operation Vittels."

All day in nearby Frankfurt I had heard their roar overhead, and at six o'clock in the evening I rode to the port with a sergeant named Boyer from Michigan. Thin rain was falling and fog covered the earth. It would be eight o'clock before we could get off, they told me at the operations office. I drank coffee with a young American from San Francisco and his pretty Chicago bride. They'd both worked in Berlin and had gone out to be married and were on their way back. We shouted to one another over our coffee, for the endless roar was close by, ships taking off, ships landing, trucks of flour and raisins and canned foods rushing out to the loading strips.

Then word came in that our ship was ready. We'd have to hurry. The airlift waits for no man. We ran, lugging our flight bags. The plane stood on the apron, one of a score with engines turning over, eager to take to the dark night air. This was a cargo carrier, dusty with flour and

By
**KARL
DETZER**

coal, and there were no seats, only a narrow bench around the sides. We sat, facing inward with mailbags piled at our feet, Americans, Englishmen, and French

army officers, all bound for jobs in beleaguered Berlin.

We moved out from the ramp, our nose nearly touching the tail of the plane in front, and behind us another ship nearly touching our tail. There's no time for caution on the airlift. I could look back through the small, round dirty window and see 30 other ships loading or taking places in the line. The roar of motors was deafening.

Then we were off, a scant two hundred yards behind the ship ahead of us. And by the time our wheels lifted from the concrete, there was another plane racing behind us to take to the air.

But then came a radio flash. A Navy plane had landed wrong on the slippery strip at Tempelhof, turned over, exploded. Men in asbestos suits were trying to rescue the crew. We could not land there. Nor would we turn back.

At Gatow field in the British sector of Berlin, British York planes were depositing their cargoes at the rate of one every four minutes. We'd make for Gatow, and insinuate ourselves into the British line. It took extra precious minutes but there we swooped down, less than 60 seconds behind the plane ahead of us, a minute ahead of the plane behind. As we banked to land, our pilot had said, "Notice those people down there? They're always there, watching—day and night."

Next day I stood with those people; I saw them lift their threadbare caps to incoming ships and heard them say: "Thank you, thank you, and God be with you!" Hundreds stand at the airports from foggy dawn till late at night. When a flyer

dies—and in the first six months of the airlifts, 36 United States and British airmen did die in blazing wrecks—the Germans gather and pray for the souls of the dead young men. They write pathetic letters to the families of the flyers.

Berlin is an island in a sea of Russian troops. We have 2,500 soldiers there, and in a ring around them stand 100,000 of Russia's best fighting men with tanks and guns. If war came, we could hold out perhaps half an hour. But we're there, and there we stay as long as a single German citizen depends on us for food and coal.

The airlift is democracy's reply to the Communists' most colossal failure—their plan to starve and frighten the people of the German capital into quick submission and to drive the Allied military governments from Berlin. This was to be another step in the Communization of all Europe. With Berlin in Soviet hands it would be easy to hold a phony election, absorb western Germany, and then take France and Belgium.

On the day when he started the airlift last June, General Lucius D. Clay, American Military Governor, had two four-motored C-54 transports, a handful of bombers, and about two dozen twin-engine C-47's. Tonnage that first week was alarmingly small, and the 21-day stockpile of food and fuel began to shrink. Clay called for more planes, more pilots, and ground crews. For millions of gallons of gasoline. For spare parts, repair shops, de-icers, extra radios, and radar equipment.

From all over America, big Air Force transport planes set off. Then came the C-54's of the Alaska Command, with their tall red tails, and ships from Panama, Puerto Rico, Honolulu, the Far East. The Navy sent planes to the airlift and relieved the Air Force on the transatlantic transport run. The British sent every ship they had; Australians and New Zealanders offered their handful of planes and many ground crews.

Today 240 big American Air Force and Navy planes, 100 British Yorks and Dakotas, and a few new "flying boxcars" with

open rear ends to handle big machinery pour some 5,000 tons of food, fuel, and medical supplies into the beleaguered city every 4 hours. By January, Berlin's stockpile had grown from 21 days' backlog to 30, in spite of fog and winter weather.

All Europe on both sides of the Iron Curtain knows the story of the airlift's success. Eight thousand young Americans—pilots and engineers, radio and radar men, truck drivers and motor repair-men—are writing it across the German sky for the world to see. With them strive 2,000 British airmen and a few hundred sturdy Australians and New Zealanders. The French, who have no air force, have sent technicians to help.

The planes load at seven supply airports in the British and American zones. Each ship carries ten tons of food or fuel or medical supplies. As they swoop down to land in Berlin in endless procession day and night, little yellow jeeps guide them to unloading stands. Each jeep has a bright-green neon sign on its tail: "Follow Me." The planes rush off the crowded runways and follow their jeeps to the stands.

As a ship approaches its place, a huge 16-wheel truck rumbles out to meet it. The plane's side door opens while the truck is backing into position. The precision is astounding; there's not a wasted second.

The plane's crew of three men hurries down a ladder or slides down a rope to the ground. An Air Force captain or first lieutenant is the pilot; the co-pilot is a lieutenant; the engineer, a staff sergeant. They are young and sturdy—and terribly tired. Their faces are often black with coal dust from their cargoes. They don't get enough sleep; they grab a bite to eat when and where they can.

A little truck meets each incoming ship. Inside its open windows are a German cook and two German waitresses. "Two hot dogs with plenty mustard," the pilot shouts above the roar of motors. "Coffee, black." The co-pilot takes a hamburger and a coke, the engineer, hot chocolate and doughnuts. The crew stamp their feet on the frozen earth. On many a ship the heaters long ago burned out, but there's no time for nonessential repairs.

In ten minutes the truck pulls away with its cargo. The flyers, munching their sandwiches, have already climbed back aboard their ship. The co-pilot picks up his microphone. "Ready for take-off," he reports to the control tower.

"Get into line," the tower replies.

The tower at Tempelhof airport is one of the most important rooms in the world. Washington and London, Paris and Moscow watch it narrowly, and their decisions are guided by its effectiveness.

It's just a shack on tall wooden stilts high above the roof of the six-story headquarters building. Broad windows look down on the parallel white runways. Sitting at a long table, five young American soldiers, with earphones clamped to their heads, guide the endless procession of incoming planes, "talking them down," keeping them close enough together to prevent a wasted minute.

They call this room the "hot box," and it's easy to understand why. There is never a moment when one of these youngsters can allow his mind to wander from the exacting job on hand. The day I was there, the man in command was a 25-year-old Air Force lieutenant. Two sergeants and two corporals about 23 years old formed his immediate staff. A microphone hangs in front of each man and a row of loudspeakers on the table is making a fearful racket. In a room below, other soldiers are logging the flights on a dispatcher board.

Outside, a thick haze is gathering and the orange runway lights are a muddy ochre. Ships already are beginning to "stack up" in the sky; you can't bring them in as fast by radar as you can on a clear day. The men in the hot box talk into their microphones and the loudspeakers shout back. A corporal is saying "Tempelhof to Flight 79. Come in, 79. What's your position?"

"Five miles out at 2,000 feet," the ship replies.

Another loudspeaker says stridently, "Our number three engine's out. Have a mechanic ready."

"Roger!" one of the sergeants answers, and he cranks a telephone. The other ser-

geant has been repeating, "Tower to 92. Come in, 92." He turns to the lieutenant. "Flight 92 don't answer." The lieutenant grabs a microphone and calls the missing ship. No reply. The sergeant looks up into the darkening sky. "Maybe that's him up there," he says. "Looks as if he's in trouble." The ship banks to come in. The four soldiers shout warnings to all other planes to keep aloft. The lieutenant signals for crash truck and ambulance. The plane is heading for the runway, coming in fast. You feel the tightness in the hot box. The plane touches the runway, does not turn over. Everyone breathes again.

"Tower to Flight 63," a sergeant says casually. "Come in for landing. Number 51, follow 63. Close up distance."

Routine again . . .

Although airlift planes were carrying thousands of tons last winter, the fog which shrouded the fields day after day gave the Russians temporary hope. The pilots flew blind through the worst weather in 32 years and radar men had to guide each ship down.

One evening while the fog was at its worst, a pilot received radio orders to make an instrument landing. A dozen ships were behind him. Their pilots, listening tensely for orders, heard the first flyer's reply: "There'll be a slight delay. I can't find my oars!" The other pilots howled; The tension broke; they all came in safely. Not long afterward a cold wave froze away the fog.

Nearly four-fifths of the airlift tonnage is coal, but two-thirds of the bulk is food. Most of the food is dehydrated. The coal is used only to produce electric current and gas for cookstoves. The people of the city are chopping down shade trees in the parks for fuel to warm their homes. The average Berliner has lost 15 pounds since the blockade started. But he blames the Russians and counts his blessings. Eight-five per cent of the registered voters cast ballots last November, in that free election in the city under siege, and 99 out of 100 voted against Communism.

Besides the British airfield, there's a new field in the French sector. When General Clay decided to build the latter, the Rus-

sians were amused. They knew that there was not enough cement or asphalt in the whole city to build one runway. Besides, when they evacuated western Berlin and left it to the Allies, they had taken away every bulldozer, concrete mixer, and paving machine.

General Clay put 30,000 German men and women to work with pick, shovel, and wheelbarrow, leveling the bomb craters. The flying boxcars flew in with big machines. If a steam shovel was too large to be carried whole, mechanics cut it apart with electric torches and welded it together in Berlin. The airlift carried millions of pounds of cement and asphalt to build the mile-long runways. Today, ships land on those runways, bringing in food.

Although the bulk of cargo moves eastward to the city, the planes have carried special cargo on their westbound flights. One month, for instance, they transported 3,000 children who needed more milk and green vegetables than their Berlin ration allowed. These youngsters are now putting on weight and getting back their color in farmhouses in the British and American zones.

On the Sunday last January when the airlift was 200 days old, Berlin decided, without warning the Americans, to celebrate the anniversary by paying respect

to the flyers who brought them their daily bread. Early in the morning the streets around the airfield began to fill with people dressed in their shabby best. They brought modest gifts for the flyers—small hand-carved toys, old silver or china salvaged from the ruins of the city. All day they came by the grateful thousands; they broke through the police lines and rushed out on the field to present their gifts personally to the flyers.

The Russians no longer scoff at the airlift. As for the Germans, they see democracy in action in the air; and they like what they see.

When the Americans took over Tempelhof, a huge black Nazi eagle with a white swastika on its breast stood above the main entrance. The Americans didn't tear it down. They chopped off the swastika and substituted an American shield, then painted the eagle's head a glistening white. It's an American eagle now.

The kids who fly the lift, who guide the trucks, who run the control towers, are farm boys and lads from our city streets. There's a swagger to their walk, and they talk lightly of the risks they take. And if they carry a chip on their shoulders, who can blame them? For that chip is a bright thing called "democracy." They wear it well.

Little Johnny stood before the cage of the spotted leopard for a few minutes staring intently. Then, turning to his mother, he asked. 'Say, mom, is that the dotted lion that everybody wants dad to sign on?'

Farmers' Journal

The colonel wanted a horse, but, unable to buy a thoroughbred, he had to be satisfied with an old hack.

"This one, sir," said the dealer, "has been bred in the best military traditions."

The colonel purchased the horse, and a few days later angrily returned to the dealer.

"I thought you said that this horse was bred in the best military traditions," he shouted.

"So he is," returned the dealer. "He'd sonner die than run."

Ireland's Saturday Night

Medication

The leaf returns to the bough,
As though nothing had happened
Since last the bough had leafed;

And the perceptive eye will see,
And accept the spring.

But the altered mind,
Because of a winter thing,
Knows all is altered, now . . .

It is well, perhaps, that the leaf
Has not heard, cannot know.

Look, now:
The leaf returns to the bough,
As in any other spring.

DAVID MORTON



JASPER R. LEWIS

Books in brief

The democratic way of life, strongly commended and just as frankly censured by the author, is the subject of **The Power of Freedom**, by Max Ascoli (Farrar Straus, \$2.75). Dr. Ascoli, of the faculty of the New School, New York, was born in Italy. After political exile here since 1931, he became a citizen. His knowledge of fascism is first hand, and his exposition of democratic processes is perceptive. In this somewhat brief but excellent book, he aims to prove that the democratic position is stronger than we know, and secondly that "our thinking about democracy has grown obsolete and cliché-ridden." As for the first premise, if words can be convincing, he makes a fair case by discussing the past, fortifying his points by reference to historical facts. As for the second goal, it needs but little to persuade the reader of the correctness of his theory.

The first part of the book discusses and analyzes the outstanding facts of the world political situation today. Here, naturally, the outstanding threat is communism. Ascoli, briefly but clearly, excoriates everything communistic from Marx to Stalin. He notes the occasional fits of despondency wherein we fear the ultimate victory of communism, the basis for which is the battle within man. As he puts it, for centuries a world civil war has been in the making, caused by economic and industrial changes—man's way of life. The world wars were the result. Communism is the sum total of the past's errors; not just Soviet Russia is meant, but the broader sphere of ideology. Our blind fear of Russia, the tendency to rush into war, is a sign of the nervous disorder plaguing the world.

As for Hitler, Ascoli shows him as the brigand who took over the marginal area

between national and international politics and developed political warfare to its ultimate use. The evils of Hitlerism, adapted from the lesser corruption of Mussolini's regime, are recalled to make the point that they were a result of world decay, rather than a cause. "Most of the institutions he destroyed, the conventions of domestic and international politics he exploded, were ready for destruction and explosion." In other words, this upset of all the forms and formulae of the civilized world was a world revolution coming to a head. After the shooting war came the slower process of the same revolution, called "peace." In this peace, democracy must face the causes that led to Hitler, and the chief of these is communism. Hence the battle array between Russia and the United States.

For one chapter, Ascoli deserves the thanks of "the people," and will receive the criticism of political leaders. Stating that the United Nations is hardly the result of anything but the "hushed discussions of the Chancelleries," there is no evidence that "We, the Peoples" have been consulted. "The 'We' seems . . . to mean the quarrelsome, verbose representatives of the peoples, many of whom have a rather doubtful claim to their representative capacity."

Ascoli sees America (meaning the United States), as a blundering experiment, with vast gains for the human race; but even for Americans, the war was liberation—"from the danger of succumbing to the destiny of Europe" One result of the war is the focus of world peoples on us, on what we do, and our way of life. Thus we find ourselves in opposition to another way of life—Communism. That is the fray in which freedom is a weapon.

The chapters on freedom are brisk and somewhat unexpected in their evaluations. Ascoli feels that "no one can know freedom unless he knows how to work." That does not mean that work makes freedom; rather it is the period between working—the time of release and retrospection—that is freedom. This freedom, this storehouse of the experience of the centuries, is civilization. This is the field for politics; here is where freedom may be enjoyed or manipulated by "self-appointed wardens."

Through work, the right to it, and the benefits from it, has come about the industrial civilization that we know and value. The dynamism of production is of the same pattern as the dynamism of rights. The harmonization of the two creates the need for political organs; the proper correlation between the two is the major political problem today. Ascoli's views on work are also pointed. There are just two things the worker has: his job and his citizenship, and they are interrelated for his own security. The right to work is one of the urgent problems of today, and the right to freedom from work (in the sense of rest, security, and cultural advantage). The most effective use of political democracy is necessary to establish economic democracy. This is something totalitarian regimes cannot offer.

It is in the necessary field of politics that the revolution of ideas seems to continue. Disclaiming miracles, Ascoli thinks this is a time to "break the backbone of every totalitarianism, tyrannical or democratic." That covers workers' political rights and also relationships and reciprocal limitations of power among sovereign states. It is noted that there is little expectation of a super or world state; Ascoli doesn't expect total peace or total freedom—or any "boundless totality." He recommends "measurable institutions shaped according to the wants and skills of men."

The chance of birth, of inclination, or of conventions determines what kind of work most men do. Where and how men live is also largely chance. Because this element of chance is so great, "we strive through political association to reach a firmer possession of ourselves." That is man's need for politics as a second chance. Ascoli even sees political freedom as a kind of religion, taking the place of that "other-worldliness of religion that has lost its appeal as a 'something else' for large masses of men."

Freedom is both man-made power and man-making power. Politics is the technique of using that freedom, and freedom is the best that can be made of politics. That is where man's fight must be made. Ascoli devotes much thought to politics, its uses and abuses; he is aware of the casualness of the voter's interest and the danger from the selfish professional politicians.

Now comes the battle between the two ideologies—communism and democracy. Here our way of life must show its superiority. Communism in itself may even be helpful by keeping us on our toes. The United Nations, considered inadequate by Ascoli, is also helpful because in its debating halls the Communists air their thoughts, and so reveal themselves. Against the fulminations of the Communists stand the efforts of America to help the rest of the world to a firmer footing. In this battle of two irreconcilable forces, there is need for a science of politics to determine limits, rights, and dangers. The great objective must be elimination of causes of tyranny and injustice. Ascoli sees no promise of a world of total peace or rest. "But it is a world where even strife and struggle give men the opportunity to increase the power and to control the course of the freedom they make."

BRIEFER COMMENT

GENERAL INTEREST

The history of the alphabet, its evolution from pre-Christian times, is graphically told in *The 26 Letters*, by Oscar Ogg (Crowell, \$3.50). From the Chinese, the

Phoenicians, and the Greeks, Ogg traces (literally) the subject to the present. Hundreds of drawings illustrate his text to make it a handsome and desirable book.

Thomas Jefferson Wertenbaker, who has

established his title as an expert in the field of early American history, describes life in New York City during the years of the American Revolution in **Father Knickerbocker Rebels** (Scribner, \$4.50). It is history in narrative form, telling the personal side of many incidents and the people in them, all with the background of authentic history. Many illustrations brighten the text.

Again we have the annual **Information Please Almanac**, 1949 edition, edited by John Kieran (Farrar, Straus, \$2.50). Nearly a thousand pages of facts and figures on world topics, history and government, education, business, labor, sports, and as many subjects as the editors can crowd in. The special section this year is devoted to *How Man Lives*, edited by Dan Goldenpaul, with articles on the capitalist, socialist, and communist governments.

Walter Pater, Selected Works, edited by Richard Aldington (Duell, Sloan & Pearce, \$5.00), is an omnibus collection of the principal works of the English essayist. To it, Aldington has given an excellent introduction of Pater's era. For the reader of distinguished belles-lettres, as well as for the student of Victorian customs.

Oedipus—Myth and Complex, by Patrick Mullahy (Hermitage Press, \$5.00), is a review of psychoanalytic theory. The ideas of Freud, Adler, Jung, Rank, Horney, Fromm, and Sullivan are analyzed. Additionally, the Sophocles trilogy, *Oedipus*, *Oedipus at Colonus*, and *Antigone*, are given in full.

An odd but interesting approach to world affairs is **Last Chance**, edited by Clara Urquhart (Beacon Press, \$2.50), which postulates 11 questions on issues determining our destiny, with the answers given by 26 leaders of thought in 14 nations. The questions range from "one world or two" to "Spiritual and Moral Regeneration." There are also some general statements on world problems by a dozen public figures.

Some light on the Russian way of life is given in **Home From the Cold Wars**, by Leslie Roberts (Beacon Press, \$2.50).

Roberts, a World War I veteran and official in Canada's government in World War II, bases his observations on a personal visit and direct questioning. His answers are friendly to the Russians, showing sympathetic understanding without approval or disapproval. Of even greater interest, however, are his views on the British attitude toward the United States and Russia, which indicate that British politicians do not see eye to eye with Washington.

Let's Do Business with Russia, by Stella K. Margold (Harper's \$3.50), is less an argument for the title theme than it is a book of information on how foreign business is done with that country. The author, formerly of the Department of Commerce, sets forth the peculiarities of trade with the Soviet, giving much helpful information for anyone interested.

FICTION

The life with father school gets one more recruit in **Cheaper By the Dozen**, by Frank B. Gilbreth, Jr., and Ernestine Gilbreth Carey (Crowell, \$3.00). The authors were two of the dozen—all children of Frank B. Gilbreth. It is a rollicking story of the home life of an American family, typical except in numbers, and with a lot of dry humor. Good for dozens of laughs.

For those who enjoy the simple plots and Jewish family tragedies of Sholem Aleichem, there is **Tevye's Daughters** (Crown, \$3.00). This is a book of short stories, the central theme of which supplies the title of the volume, but each story is complete. The action is in the early days of this century in Czarist Russia.

Land of Milk and Honey, by W. L. White (Harcourt, Brace, \$3.00), is, according to the jacket, a true story of a young Russian pilot in this war, brought up as a typical youth in the Soviet Union. Fact or fiction, White gives it an authentic background, both in its chapters on the Russian scenes and in its glimpses of American life as seen by the transplanted hero. It is realistic and informative in its picture of Russian life under Stalinism, with its secret police, and comsomols,



COUNTRY COMMENT

Consider the two-toed sloth whose name is a synonym for *dolce far niente*, hanging head-downward in some tropical American forest. He hangs head-downward, I infer, because the effort to keep upright is not worth the bother.

There is also a three-toed sloth. But why trouble with three toes when two will do as well?

I encountered the two-toed sloth (hanging head-downward) in the dictionary the other day, and he slowed down my search for a certain word until I forgot what it was.

"Sloth. 1. Disinclination to action or labor; laziness; indolence. 2. Any of several slow-moving, arboreal, edentate mammals of the tropical forests of South and Central America, as the three-toed sloths (genus *Bradypus*) having three claws, and the two-toed sloths (genus *Choloepus*), two claws, on each front foot."

The word "edentate," in case you don't recognize it, means "without teeth," and might as well apply to those old men and women who, having lost their natural teeth, refuse to go to the fuss and expense of being fitted to artificial ones. Why be pestered with teeth if you can do without them? In the progressive emancipation of the self, like the slow uncoiling of the chambered nautilus, or in the shuffling off of this mortal coil altogether, why should not freedom from teeth be one of the first and recognized freedoms?

Edentate. I suppose the sloth lives on soft fruits like yams and bananas. As one who relishes such fruits myself, I can see no hardship in the diet.

There are no sloths around here. Our

native fauna consists chiefly of scurrying mice, lolloping rabbits, whirling squirrels, and effervescent chipmunks. Even the deliberate skunk can step along on occasion. And the chunky woodchuck can run for dear life when he has to.

So it is all the more restful, here in North America, to think of the sloth, especially the two-toed sloth. It is restful to remember that to the south of us life can still be slow and leisurely, and that the siesta is an institution of both man and beast.

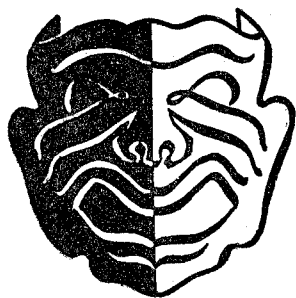
True, the snail and the tortoise are likewise celebrated for their slowness. But snail and tortoise both have a destination. In time they get somewhere. They are symbols, not so much of slowness, as of slow achievement. So far as I know, the sloth has no goal in mind. Why go somewhere else when one can just as well stay where one is?

I could pick a quarrel with the writer of the Book of Proverbs. He tells us to go to the ant for wisdom. The nervous, slavish ant. The six-toed ant. Why not the centipede? "How long wilt thou sleep, O sluggard? When wilt thou arise out of thy sleep? Yet a little sleep, a little slumber, a little folding of the hands to sleep," he mocks.

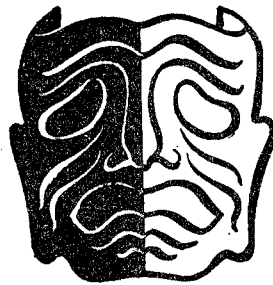
I should like to ask the writer of the Book of Proverbs if the greatest mischiefs and evils of today come from a little folding of the hands.

"Go to the sloth, thou busybody," I would say to him, "consider *her* ways and be wise: which having no teeth, feasteth on the fruit of summer, and like a fruit of summer herself hangeth head-downward from the tree, till in the fullness of time, the two-toed sloth becometh the one-toed sloth."

ROBERT FRANCIS



The THEATRE ARTS



by John Gassner

Efforts to create political and social drama will undoubtedly continue to be made in increasing number as the age becomes more critically political. But it is apparently a type of writing that requires more competence than we find among playwrights except when they create comedy like *State of the Union*. And even in comedy, the degree of political awareness is highly variable. *Born Yesterday* owed its success mainly to a farcical complication between a "Dumb Dora" and a *New Republic* reporter, both of whom are uncomplicated in their thinking. *Goodbye, My Fancy* was least original and incisive when it touched the issue of academic freedom, in this case almost a spurious complication as well as an extremely mild one. And this general failure of political thought in playwriting has been most recently given an almost classic demonstration by none other than Garson Kanin, from whom naivete and ineffectiveness could least be expected.

In writing *Smile of the World*, Mr. Kanin set himself the objective of exposing the mind and spirit of a reactionary Supreme Court justice who is continually at odds with the liberal Brandeis and Holmes faction. In a sense, then, this was another comedy of liberalism. But *Smile of the World* failed, both as political analysis and human comedy, and the weakness in both respects was not merely supplementary but interactive. The jurist is a disappointment to his wife, who remembers his lost idealism with nostalgia. Her reaction takes the form of a love affair with his law clerk, who must be her junior by several decades. All of Miss Ruth Gordon's

famed, if somewhat mannered, talent could not make the situation anything but factitious. Since the personal relationship was neither a gratifying exhibition for the public nor a solution for the lady, it could hardly represent a victory of the liberal spirit. Since, too, the jurist was complacent throughout while his wife was living in his house, and was upset only over her taking her departure from it at the end, one could not conclude that reaction had been crushed. And in the course of these sorry proceedings, only fitfully lightened by extraneous or forced humor, nothing was discernible that would provide any sort of real revelation concerning the subject, unless it is still a revelation to say that men become more conservative as they grow older. We never knew what experiences had shorn the jurist of his ideals or what earthly benefit he hoped to derive for himself or his country from his outlook. A wooden character has no thought processes worth examining. Although more interest attached itself to the law clerk, he brought very little to the issue, as he stumbled into a liberal attitude instead of achieving it either by experience or dialectics.

Smile of the World was, in truth, distressing not merely because it was a poor play by a good playwright but because it led us to suspect that we are actually far too callow for the kind of writing that the times require. We do well by characters precisely in proportion to their political simplicity. As for handling the complexities of party and government policy, it is almost incredible how we fumble, as if political ideas were alien to us

and the ethos they involve were reduced to the two adjectives, "good" and bad." Solutions are, of course, not to be demanded from dramatists when even experts are incapable of finding them. But we have a right to expect wit, irony, penetration, or passion.

Our insufficiency was apparent even in the American adaptation of Jean-Paul Sartre's *Les Mains Sales*, under the title of *Red Gloves*. As a result, a probing drama appears on our boards as a vehicle for Charles Boyer and owes much of its interest to his quite remarkable impersonation of a Communist leader. Mr. Boyer rightly attracts the public, and the very human and appealing representation of the leader is fortunately miles above the level of popular notions of what Communist strategists are. But *Red Gloves* is less a portrait than a picture of revolutionary tactics of importance to European destiny as appraised by the "existentialist" Sartre, who concerns himself with politics and human character as two facets of the same social and philosophical problem. Whatever changes and cuts may have been made for the worse by the American adaptation and production, Sartre's object remains quite evident. He was not trying to fabricate a melodrama, although the first act shows us a young man becoming a Balkan Communist leader's secretary with the express purpose of killing him on party orders. The second act gets down to the realism of political calculation as the leader confers with the prince of the fictive country concerning a coalition government. The play continues in that vein until it gets to the delusively private, actually politically important, business of the secretary's shooting the leader because he thinks the latter is having an affair with his wife. Then an epilogue returns directly to the political theme with the murder of the secretary by "party" members to prevent his revealing that he had been ordered to assassinate the leader.

In the Broadway production, the play is a hodgepodge of melodrama, romance, and political drama, and it looks like the work of a beginning playwright, which Sartre definitely is not. Sartre's own intention was

plainly something else—the writing of a *jeu d'esprit* with political realities and human contradictions as its subject. It is distinctly ironical that the secretary should have killed the leader out of jealousy rather than from political conviction. It is equally ironical that the leader, who so cleverly disarms his would-be assassin and who is so alert to every contingency, should become the victim of a jealous husband. And the final irony comes when the party that considered its leader a traitor hails him as a hero two years later when the party line changes. Sartre is, in addition, making an "existentialist" point when the secretary sacrifices his life at the end of the play because he insists upon the political nature of his murder. It is true that he killed out of instinctive jealousy, but he holds that his conscious intention had been political and idealistic, for he honestly disapproved and still disapproves of strategic temporizing. A man, Sartre implies, must be true to his conception of himself. The young man's temporary aberration of jealousy is insignificant by comparison with the principles he elected to represent, or with the identity that he sought for himself and finds only in the stand and the standards he has freely chosen. His conviction, in other words, is his real personality—a point that only a politically minded and experienced people can understand.

To repeat, there is present in *Red Gloves*, or rather in the original text, a provocative political play, the equivalent of novels like Dostoevski's *The Possessed* and Arthur Koestler's *Darkness at Noon*. Sartre himself may not have succeeded in rounding out a drama that masters all inherent difficulties, but he came close to doing so, and he has assuredly acquitted himself better than our playwrights. Until the contemporary theatre learns how to write political drama, it will seem singularly unimportant, unvital, and futile.

Sartre, moreover, has given us another lesson in his *Morts sans Sepulture*, well directed by Mary Hunter and brought to Broadway by New Stages under the title of *The Victors* in an adaptation by Thornton Wilder. It had no Charles Boyer in the cast. It was a painful exhibition of torture, murder, and execution, and it required a less

placid frame of mind than will be found among the audiences that make Broadway productions successful. It was, nevertheless, a frequently moving, intense, and challenging play.

Sartre could not have found a better context for his philosophy of behavior than the self-analyses of a number of captured Maquis who refuse to divulge the name of their leader. Included in the test that they must face is the realization that they must kill their youngest member, who would be unable to resist torture at the hand of the Vichy police. Later, although they have resigned themselves to death, they must resign themselves to living on when they are granted an opportunity to do so. It is situations like these that test men's souls in ways significant to men in society, since so much depends on the decisions and since the testing is such a physical and spiritual agony. It makes the caterwaulings of the ordinary citizens of middle-class Broadway drama seem insufferably petty and childish.

Although a great deal of gibberish can be uttered about existentialism, there is actually no cloudiness in the dramatic situation. It is the age-old story of human integrity, of man's duty to himself and his fellowmen, of self-respect and social responsibility. It runs, philosophically, in the tradition of stoicism, dramatically, it stems from the heroic drama of Corneille. The latter is, indeed, the spiritual father of Sartre the dramatist. Sartre has made it plain that men have quite a problem in having to square themselves with their sense of duty and of personal integrity. Since it is an idea to which easy-going pragmatism is not favorable, it could strike many as homilectic. Since Sartre could not treat the story of the French resistance movement without several grim and wordy scenes, **The Victors** afforded an opportunity to squirm out of the moral trap he sets for audiences. Moreover, it could be said, with superficial accuracy, the **The Victors** was slow, prolix and ponderous.

It was slow—as human anguish and physical suffering are slow! It was verbose—as human beings are when they are fumbling to discover and explain themselves. It was heavy—as the burden of human responsibility is heavy. By the standard of superficial criticism, Michelangelo would be a poor

artist because his figures are oversized and massive, and Dostoevsky would be a poor novelist because his characters are twisted. The real flaws in a play like **The Victors** are that the resistance leader Jean is muzzily realized, and that the conclusion is not a genuine resolution. The prisoners are excuted immediately after they have chosen to live, and all that this ending achieves is a theatrical kind of irony that solves nothing except the author's need to wind up his play. Sartre and his adapter would have done better if they had added another scene concerning the realizations and decisions of the prisoners once they were set free. Even the present ending could have been improved, if their execution had been ordered not by the moral sadist among the Vichy police but by another officer, who cannot bear the thought that his bestial act will live on in the memory of the woman prisoner he raped. Sartre also fails to pay enough attention to characterization while dramatizing decisions and expressing moral issues.

These criticisms point to Sartre's real limitations as a playwright in all the plays he has given us thus far; sensationalism, irony, and a tendency to intellectualize rather than humanize. Even so, his plays, including **The Victors**, make polished successes like **Goodbye, My Fancy** and polished failures like John Van Druten's **Make Way for Lucia** look foolish.

Lyric drama—another fascinating but difficult medium—has been recently demonstrated for us. Lyric drama is important to our theatre because it can bring the poet back to the stage. It has been realized for some time that the theatre achieved modernity at great cost with Ibsen's realistic plays when it lost the poets. But the poet can return to us only if he is allowed to create dramatic moulds for his poetry, and *with* his poetry—that is, with his unique sense of form. Frederigo Garcia Lorca has shown us how this can be accomplished in about half a dozen plays. Two of his last ones, **Yerma** and **The House of Bernarda Alba**, indicate that he was just about ready to make significant contributions to the modern drama when the Spanish fascists murdered him.

Perhaps no more than two or three productions of the current season, and these by

no means the most successful ones, have been as eventful as the New Stages' presentation of Lorca's **Blood Wedding** in the new translation by Richard L. O'Connell and James Graham-Lujan. This is the second time that our professional theatre has wrestled with the genius of modern Spain's greatest poet and most remarkable playwright. But the significance of his work to the world is his marriage of poetry to drama, his creation of a lyric theatre that is both modern and timeless. And it is undoubtedly for this reason, rather than for reasons of his supremacy in Spain, that New Stages has undertaken the difficult problem of staging the play.

Blood Wedding is steeped in Spanish life, and Latin authenticity is itself almost beyond the reach of most New York actors. Since the work is an almost uniquely Spanish combination of Gothic, Catholic, and peasant elements, it is, moreover, somewhat beyond the orientation of our audiences. **Blood Wedding** is also footed in the traditions of the Spanish theatre from the days of Lope de Vega, if not earlier (the most ambitious Latin art frequently takes tradition for its point of departure). This traditionalism can seem oddly stiff and sometimes naive as when Lorca personifies The Moon in the intentionally stilted figure of an actor. Above all, however, we are unaccustomed to formalism, and **Blood Wedding**, which is so surcharged with passion, is anything if not formal in quality. It is generally difficult for us to realize that it is precisely the fusion of formalism with primitive emotion that differentiates it from mere sentimentality and purges it of its crudity. In staging the play against some excep-

tionally sensitive settings by Ralph Alswang, Boris Tumarin has courageously faced the problem of formalism, which involves the combination of lyrics and recitatives with realistic episodes. His cast has done as well by its difficult assignment as it could, except in several lapses into incongruously American speech rhythms and inflections. It fumbles at the beginning, falling somewhat short of authenticity in either the local or the personal sense, but ultimately it emerges in the acting of Sarah Cunningham, Alexander Scourby, Miss Inge Adams, and others with a stature and conviction almost beyond their scope. Without the miracle of transfiguration, for which both the writing and the production must share the credit, **Blood Wedding** would have looked like just another simple and rather naive story of a bride's elopement with a lover on the bridal night. The action culminates in a man-hunt in the course of which the lover and the husband of the girl slay each other in a duel under the moon.

For this reason, it is all the more regrettable that the miracle could not have occurred throughout the evening, that the better performers took so long to attain their full height, and that the sense of fatality hanging over the play seemed so much a thing imposed by speech and musical effect rather than an essence exuded by the acting. Esthetic distance is alleged to be a virtue, but a considerable gulf yawned between the play on the stage and this reviewer during a goodly part of the evening. Even so, Mr. Tumarin and his cast have gone further than could be fairly expected of them toward realizing **Blood Wedding** in an alien language and an alien theatre.

Two Englishmen bound for New York had been sitting side by side on deck-chairs without exchanging a word. On the third day one fell asleep and his book dropped with a thud. It broke the ice. The other man picked it up, and the following dialogue took place:

"Thanks very much."

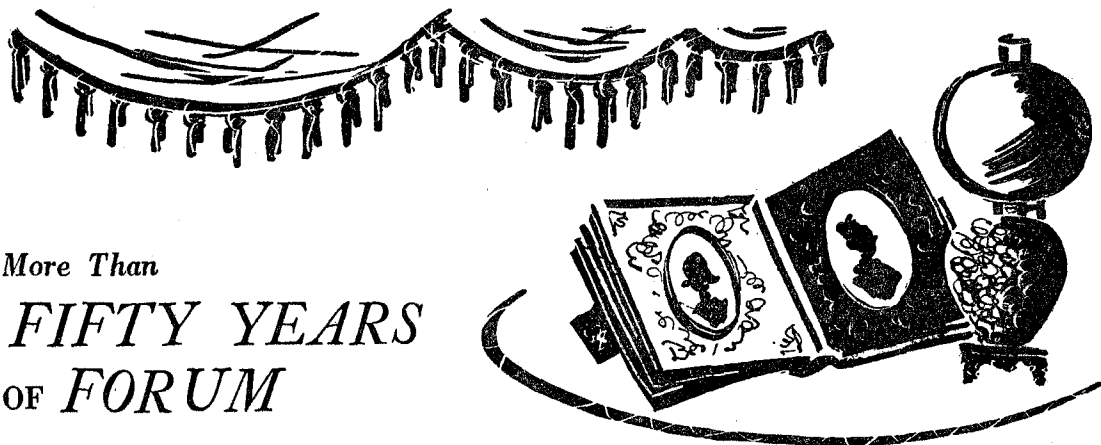
"Going across?"

"Yes, I am, actually."

"So am I."

More Than

FIFTY YEARS OF FORUM



The Middle East was the center of intense rivalries among the great powers of the world 46 years ago, just as it is today. Although the struggle for oil concessions had not yet started, the ambitions of Germany and Russia toward expansion in that area caused a great deal of concern to the British.

In the July, 1903, FORUM, A. Maurice Low calls a statement of Lord Landsdowne to the effect that Britain would regard the establishment of a naval base in the Persian Gulf by any other power as a very grave menace to her interests, "an epoch in the Asian diplomacy of England." Low compares this statement with the Monroe Doctrine and goes on to discuss the policy of Russia in regard to the Middle East, which does not seem to have changed much:

"For years Germany and Russia have been anxious to establish themselves on the Persian Gulf. Germany's interest in that quarter of the globe is of minor importance; but Russia would give almost anything to obtain a foothold, because it would give her a *point d'appui* that would threaten the overthrow of England's control of the Mediterranean, and would expose India to attack from a naval base so near that the adequate protection of the Indian empire would entail a still heavier burden on the British taxpayer, and make it necessary for the Indian army to be largely increased."

The favor of the Middle Eastern rulers was cultivated assiduously:

"The Shah of Persia, like all Oriental monarchs, finds nothing so delightful as borrowing money and spending it in reckless profusion. British financiers, who at one time were willing to take almost any risk in a foreign loan, now fight shy of Persia, and refuse to furnish Muzaffer ed Din with the means to gratify his extravagant tastes. They have allowed Russia to use part of the money she has cozened from France to fill the Shah's treasury. That potentate is naturally grateful to his banker, and pays his obligations by territorial, political, and other privileges, which result to the disadvantage of Great Britain. Inch by inch Russia has been creeping up into Afghanistan, until Persia, practically in the hollow of Russia's hand, and Afghanistan, the constant center of Russian intrigue, are the sole barriers between Russia and India. . . .

"Russia has sought an outlet on the Persian Gulf for the same reason that she seeks to annex Manchuria—to reach the ocean. She has justified her diplomacy, whenever she felt that justification was necessary, by asserting that she had right to a port on the Gulf, so as to provide an outlet for the commerce of Asia. England brushes aside this subterfuge and vetoes it, precisely as the United States vetoes the acquisition by Germany of a coaling station or naval base in South America." England ". . . has proclaimed a policy which she is prepared to assert at the cost of war if necessary."

YES!

By JAMES CARR

JACK is a skilled brick-layer and works for \$2 an hour. If he works regularly throughout the year (except for two weeks out for illness, other personal emergency, or vacation), he will be paid for 2,000 hours annually, and his annual wage will be \$4,000. During a spell of mild weather, even in February or March, Jack will take home \$80 every week (minus income withheld for taxes and social security). But unfortunately for Jack, the nature of the climate in most of the United States, and of the construction industry as well, means that his 2,000-hour goal is highly unlikely, if not impossible. If Jack is laid off because of bad weather or lack of business for as much as two weeks out of fifty, his annual income drops below \$3,900.

The \$3,900 figure was established in 1947 by the Bureau of Labor Statistics as a *minimum* figure for the budget of a city family of five. Of the minimum figure of \$3,900, Jack puts nothing aside for illness, education, or other family emergencies and only \$85 per year goes into life insurance. Food, clothing and house-furnishing expenses are kept to a minimum and medical care is substandard. Jack and his wife must budget their funds very carefully to weather the year with an annual income of \$3,900.

Yet even this possibility is denied them. Jack has no way of knowing from day to day or from week to week what his pay check will be. His anticipated annual wage and his actual wage may vary markedly, and the variation may spell debt or worse for him and for his family. With expert budgeting, Jack's family might take advantage of special sales on all commodities to decrease their expenses, but such foresighted buying is impossible without a guarantee of next month's rent.

Remember, please, that a skilled brick-layer is not typical of America's labor force and that \$2 per hour is a long way from be-

FORUM: I

Annual Wage

ing typical of the workingman's hourly wage (in 1948, it was estimated that average hourly wages in manufacturing came only to \$1.18). America's workingman faces current high prices with no security of employment or income. He is haunted by the ghosts of 1933.

INSECURITY

Management in the United States has developed a handy theory of labor as a flexible factor of production, to be hired when needed and fired when no longer needed. The individual worker carries the full burden of irregular production, while often industry-wide bargains and government protection insure the employer against similar risks. Unlike the white-collar worker, the salaried employee and the executives of the industrial world, the labor force of the nation is commonly regarded as a temporary force, paid and hired by the hour, day or week. Management commonly assumes absolutely no obligation to the worker to see that his job is permanent, to inform him when it is temporary, or to give him notice of imminent lay-off.

The basic insecurity of American workers has led many thoughtful students of the problem to recommend the extension of a guaranteed annual wage to cover most American industry. Strictly speaking, a *guaranteed annual wage would mean a guarantee of a minimum annual income with regular pay checks at agreed rates covering 48, 50, or 52 weeks in the year*. Guaranteed wage plans have been recommended and introduced in many industries covering shorter periods of time, in an effort to work toward some sort of guaranteed yearly income. The costs of the guarantee may be shouldered by the

[Continued on page 168]

he Guaranteed

Desirable?

ABOUT 60 million Americans today are either employed or are looking for employment; this figure represents about 55 per cent of the population over 14 years of age. One fourth of this labor force is made up of women. There are approximately 5 million farmers; 2,250,000 hired farm hands, and 1,200,000 family farm workers. About 1,500,000 are self-employed but hire no employees; the normal annual turnover is said to be 20 per cent. Another 1,250,000 small businessmen employ less than three employees, and 500,000 small businessmen have somewhat larger payrolls. In our labor force today, there are some 6 million skilled craftsmen; 10 million semiskilled workers and 4 million laborers. Among these, some are continuously employed and others expect seasonal employment of one kind or another. In addition, we have some 6 million service workers, 9 million clerical and sales people, and approximately 2 million representing the temporarily employed. There are literally millions of seasonal workers who follow the sports world, the canning factories, lumbering, and sugar refineries, some by personal preference and others because they can find no other work.

Within the American labor force as a whole, seasonal and cyclical fluctuations of the economy cause unemployment and consequent insecurity. Skilled and unskilled labor, as distinguished from white-collar help, is in general paid by the hour and hired and fired as necessary; this customary procedure creates further insecurity.

The guaranteed annual wage has been suggested as a cure for seasonal unemployment and a partial answer to cyclical unemployment. Under the guaranteed annual wage, every "covered" worker would be assured by contract of a specified pay at regular inter-

NO!

By **PETER GRUNDY**

vals for at least a year. Such a guarantee would be one step in the undermining of our democratic industrial system. Granted that similar plans have worked after a fashion in specific industries since the 1930's, there can be no comparison between such systems and a comprehensive guaranteed wage.

I assume that labor is hardly interested in the guaranteed wage instituted by stable or potentially stable companies in the interest of their own efficiency and covering only restricted groups. Such guarantees, on the contrary, make it increasingly difficult for the remaining mobile labor force to find employment. The guaranteed annual wage, if it is to be successful, must embrace all companies in an industry and, in the final analysis, all industries in the country. This creates far different problems from those solved in the Hormel meat company, Procter and Gamble, or Nunn-Bush Shoes.

Assuming for the moment that annual wage guarantees cannot be extended to farmers, small businessmen, clerical help and professional personnel, we shall consider only the skilled, semi-skilled, and unskilled labor force generally organized today into trade unions. Before pointing out the grave defects of the annual wage system, let us consider the premise stated above that the successful guaranteed wage "must embrace all companies in an industry and, in the final analysis, all industries in the country."

This is true from the viewpoint of both labor and management. On the labor side, no trade union can afford to interest itself in a guaranteed wage covering only a small portion of its membership. In a single company, the employers and workers may be able to reach an agreement stabilizing work for a large percentage of the total employees without much regard for workers in other firms or "temporary" help in their own firm. As we have said before, such arrangements

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management or by labor; funds may come only from wages or from profits or from higher prices.

Although one argument for the annual wage is the insecurity of America's labor force, it by no means follows that labor is united behind pleas for the guaranteed wage. On this issue, oddly enough, we can find no clear division between labor and management, between industry on one side, and the unions on the other. Guaranteed wage plans have advantages for both labor and management and their support comes from both sectors of the economy.

LATIMER REPORT

In 1945, the late President Roosevelt ordered a study of the annual wage because the War Labor Board said it had insufficient information to grant the United Steelworkers' demand for a guaranteed annual wage in the Carnegie-Illinois Steel case. (Roosevelt himself had gone on record as favoring an annual wage in 1934 after a conference of automobile workers from Detroit.) The so-called "Latimer report" on guaranteed wages was completed on January 31, 1947. As summarized in *Economic Outlook* (C.I.O., Department of Education and Research:)

The study demonstrates that guaranteed wages are feasible, that they provide substantial advantages to both labor and management, and that they are a flexible and valuable tool of industrial relations policy.

Annual wage guarantees are not theoretical panaceas; such guarantees have been in effect in certain industries for years and have demonstrated their usefulness. Three firms are usually cited as embodying varying types of successful wage guarantees; the Nunn-Bush Shoe Company, Procter and Gamble, and the George A. Hormel meat packing concern.

The Procter and Gamble plan guarantees 48 weeks of employment or its time equivalent in each calendar year, except for extreme emergency. If necessary, hours of work may be reduced to 75 per cent of the average 40-hour week. The company may transfer any worker to work different from that for which he is regularly employed, may fire a

worker, or change or amend the guarantee upon due notice. After a two-year probationary period, each employee is eligible for the plan. Procter and Gamble executives maintain that their wage guarantee is not a subject for collective bargaining, since its operation is so dependent on the sales function of management. The plan originated in 1923 not with labor but with benevolently paternal William Cooper Procter, who said: "The big value is not having on your conscience the chap who wants to work and can't find a job." The company's statement with respect to the clause on emergencies also shows the one-sided operation of the scheme:

It is the intent of the company to maintain [the guarantee] but the company must and does reserve the unqualified right, to be exercised at its sole discretion, to withdraw this guarantee at any of its factories or to terminate or to modify this guarantee at any time.

The Nunn-Bush wage plan provides for a flexible relation between labor costs and the selling price of the product (shoes), with 20 per cent of the wholesale value of the goods produced going into the group salary fund from which each worker covered by the guarantee draws a fixed sum each week as an advance against annual earnings. The worker agrees to carry an individual reserve fund of not less than 200 times his differential work, to protect himself and the company against the creation of a deficit. At the end of every four weeks he receives a statement of the amount of his earnings of the period, the amount he drew, and the amount of his reserve at the beginning and at the end of the four weeks. If the reserve amounts to more than 200 times his differential rate, he receives an additional check for the balance. The company's guarantee covers only the percentage—20 per cent of the wholesale value of the product. The division of the sum is the responsibility of the workers, as are questions of speed of production. Nunn-Bush workers organized their own union in 1919 and worked out the guarantee plan with Nunn and the rest of the management in 1932. The plan calls for a large measure of labor-management cooperation and confidence for its smooth operation. Only certain classes of Nunn-Bush employees are eligible for the plan.

The Hormel annual wage plan operates with a closed shop C.I.O. union, in a highly seasonal industry. It was instituted during the depression, at the request of the union, after Hormel had repeatedly failed to get employees to agree to the wage guarantee. Individual workers were afraid the plan would be used as a speed-up system to hammer down wages, and Hormel himself was convinced that a union would be essential to the operation of the plan. According to Hormel's system, the labor-cost figure for the year is divided into 52 weekly installments; the individual worker may work up to a maximum of 53 hours in any particular week, and may work as little as 20 clock hours during the summer of slack weeks.

In a survey made for the Latimer staff, the Bureau of Labor Statistics found 146 wage guarantee plans in operation at the beginning of 1946. These plans covered more than 500 establishments and more than 60,000 out of a total of 100,000 workers in the guaranteeing units.

About two-thirds guaranteed a full year's pay or employment for a year at full pay. A little more than half covered substantially all workers in the establishment after a waiting period. Another one-fifth of the plans applied to all regular employees. One-third of those plans which covered all workers in regular jobs, guaranteed employment for a full year.

On the average, these plans had been in existence for almost 10 years; about half survived the 1937-38 depression and a quarter began in the early 1930's.

The guaranteed wage is thus seen as a practical possibility even in so-called "seasonal" industry. It is advocated as a partial cure for seasonal or temporary unemployment, and not as a cure for cyclical unemployment. The latter function it cannot perform, although it may help.

What are the advantages of a guaranteed annual wage? Granted that its successful operation in many fields would involve complex methods of accounting, sales reorganization, and re-education of consumer habits, the guaranteed annual wage would improve the position of the worker, the management, the home, and the community.

(1) The worker under a guaranteed wage system knows how much money he and his family have to live on. He is no longer merely a commodity, to be turned out on the street when his services are temporarily not required. Some guarantee plans actually provide an incentive for increased production. The vital search for security is at least temporarily ended; the job is there for six months, eight months, or one year. Now the worker can devote himself wholeheartedly to his work; he cooperates more willingly with a cooperative management; he works at top speed; he is no longer interested in restrictive practices once necessary to help him keep his job.

(2) The company with an annual wage plan operates with greater efficiency. Not only does the permanent staff work better, but it is no longer necessary to waste valuable time training and retraining help after every lay-off. With every effort bent toward ironing out peaks and slumps in production, overhead is cut because it is no longer necessary to provide enough machinery for peak seasons. Overtime is likewise diminished. A smaller year-round force can handle all production and sales problems. Much of the saving is incalculable but this does not mean it is inconsiderable. The Hormel Company cites certain definite advantages of its plan:

The elimination of the fluctuation in the number of men in a certain gang as between peak and slack seasons serves to keep highly-skilled men on the job the year round. This resulted in substantial savings, not only in the cost of training new men for temporary jobs during peak production, but also in the quality of work produced during the peak. Since the inception of the plan, the gang's efficiency has increased greatly. In 1939, because the men beat their schedule 46.3 per cent, the company saved 31.6 per cent of the time of operating the equipment in the department.

In another Hormel department, the new plan occasioned this statement:

Before adoption of the plan, it was necessary to practically double the size of the gang with the coming of the peak season. This involved a substantial number of new employees each year, and at least it brought about a situation in which half of the individuals in the gang were some-

what out of practice in the jobs, and the number of people required in peak production during the first part of the peak seasons was approximately 118 per cent of the number of regular hands required to do the same work. These extra men would be dropped gradually during the peak season, but usually not all of them would be eliminated until the peak season was nearly completed. The result was that the average number for the peak season would be about 108 per cent of the number of experienced hands required to do the same work. Since the peak season accounted for about one-third of the year, the saving from this source amounted to something in excess of two per cent and approximated three per cent.

In most states a premium is put on stable employment in the operation of unemployment compensation and here, too, the guaranteed wage means a saving for the company using it.

(3) But the worker and the company are not the only beneficiaries of the guaranteed annual wage plan. The worker's family enjoys a measure of security and stability unknown to it today. Under the annual wage, budgeting, so important for small-income groups, becomes possible; daily living is easier, and emergencies may be met.

(4) Indeed, the new stability and security enjoyed by the worker directly benefits the community. With a steadier purchasing power, the worker and his family spend their money the year round, and the community no longer suffers reflections of seasonal fluctuations which affected the working force. The stabler labor force is more inclined to home ownership, always a desirable feature of any community. The secure family produces fewer delinquents, and less necessity for community relief and other charity. When greater industrial efficiency is reflected in lower prices, the community enjoys further gain.

With all the advantages of the guaranteed wage, it has some disadvantages, and opposition to the plan has centered on its more obvious drawbacks. Historically, plans for guaranteed wages have been sponsored by management, often without the approval of the labor force. Yet in many industries, plant owners oppose the guarantee because

their business is too seasonal, too dependent on outside forces beyond their control, and because the plan is complicated in operation. Guaranteed plans in existence give the lie to many contentions against it. In a certain Wisconsin building firm, highly seasonal in character, adoption of a guaranteed wage plan was very successful for the men, and the firm found a new prosperity. Although the Latimer Committee found that most plans in operation covered consumer industries, they found operating plans for capital goods or heavy industry and believed that success would attend guaranteed wages in this field also.

COST

There is no doubt that industry might for a time bear a small additional cost in switching to annual wages, but this small percentage could probably be absorbed in federal taxes. The Latimer report contains an analysis of guarantee costs in 42 plants: the average cost was less than six per cent of the payrolls per year, and in the most stable plants, the cost was zero. The committee suggests that a definite limitation could be fixed on the employers' total liability for idle time in any year, or guaranteed pay might be reduced to perhaps 49 weeks instead of 50. The three plans outlined above all provide successful limitations on employer liability and all should be studied in more detail by industrial management.

A third objection often made by industrialists is the danger of further government intervention via legislative provisions for guaranteed wages. Few if any sincere advocates of the guaranteed annual wage believe that it should become a field for government intervention. The Latimer report itself concludes that "wage guarantees should be the subject of collective bargaining, not legislation."

The guaranteed wage has not yet found general acceptance among American industrialists; neither is it given widespread union support. In A.F.L. craft unions, opposition to guaranteed wages centers on a dislike of government interference, the problems of seniority rights, maintenance of going hourly rates, and protection of craft lines. The

union craftsman is extremely unwilling to transfer from one type of job to another in slack seasons; indeed, he refuses to do so. Current high hourly rates in many crafts today are based on the premise that the work is not steady, yet few workers will take a rate cut for promise of steady work.

Today, most C.I.O. unions are interested in some type of guaranteed wage, yet they want the entire cost of the guarantee to be borne by the capitalist and taken out of profits. They are concerned, as are the A.F.L. craftsmen, with the maintenance of a high hourly rate and with protection for the worker excluded from the guarantee plan. They point out that guaranteed employment for a fortunate segment of labor will mean permanent unemployment for another, smaller group now dependent on temporary or seasonal work. This group, however, will benefit in the long run from the increased stabilization and efficiency of the economy, which will soon be better able to absorb them in permanent employment.

In general, the experience of the plans now in existence proves their value to both industry and labor. The national C.I.O. and

its affiliates in steel and marine craft have recently come out with demands for wage guarantees. Philip Murray has explained the steel workers' demand as follows:

Reduced to a simple formula, the guaranteed annual wage as requested by the union suggests that management be required to give workers 40 hours work each week for 52 weeks—arriving at a figure of 2,080 hours. That figure of 2,080 hours would be multiplied by whatever is the individual's hourly rate. For each week during the life of the contract that the employee, for reasons beyond his control, does not receive a sum equal to this minimum amount, the company shall make up the difference.

Today industry is practically guaranteed against sudden depression by the federal corporate tax structure, and agricultural prices are guaranteed at high levels by the federal price support program. There is no reason why the American workingman should not be able to work out similar guarantees of a year's employment. Such guarantees should be the subject of collective bargaining; not included in federal legislation. Industry, the unions, and the community will benefit by a guaranteed annual wage.

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are not of primary concern to national labor movements, since they represent management's attempts to stabilize wages in its own self-interest where stability is fairly easy to attain. What the unions must concern themselves with is guaranteed wages for the bulk of their membership and particularly for those most sensitive to lay-offs. A national organization is thus concerned with the unstable, less efficient, and less profitable companies as well as with the most prosperous. The national labor union must consider total possible production in a given industry, in order to work out reasonable demands for wage guarantees covering the greatest possible number of its members. In other words, the union demand for a guaranteed annual wage is a demand for industry-wide guarantees.

Individual firms also will have to consider their wage obligations in the light of other obligations assumed by the industry. The guaranteed annual wage, if it does not represent a mere minimum annual pay-roll

(which is not what the unions demand) will become a heavy fixed charge on each firm, and no firm will want to carry a heavier wage burden than its competitors.

The unions are naturally not interested in company guarantees of accomplished facts; they want security for the worker who does not enjoy it. They are furthermore not interested in wage guarantees taken entirely out of wages; they want guarantees for *more total annual wages* than their members now receive. In other words, the annual wage guarantee is to be an industry-wide guarantee and *it is to impose an additional financial burden on management*. The unions ask that management take the additional funds out of profits; they could conceivably come from higher prices instead.

The effects of such annual wage guarantees on both management and labor will be far-reaching and more harmful than good. As we have already pointed out, management will not dare make dangerous guarantees for a year in advance, unless the entire industry

makes similar guarantees. Industry-wide guarantees are more than likely to lead to production-agreements and price-fixing, legal restraints notwithstanding. Production schedules in fact, become all-important with effective wage guarantees. Each firm must project a year's production schedule, and the schedules in the industry as a whole must be kept in relation to potential consumer demand for the product. Inventories can be built up, but they should not reach dangerous proportions. The temptation to combine to fix production schedules will be great.

Firms will also be hesitant to undertake special orders beyond the normal plant capacity, because extra labor will presumably lead to further wage guarantees. Smaller firms will probably try to add "extra lines" to their usual output to help keep their labor force busy. Where this practice threatens the stability of other industries, protective restrictions will probably result.

All along the line, it is likely that guaranteed annual wages will stabilize production by *restriction* and *limitation*. Smaller, growing firms will suffer, and an appreciable percentage of management initiative (implying risk) will be forfeit.

Prices would also be affected by the wage guarantees. One of the first temptations of industry, of course, would be to raise prices to cover the liabilities. In addition, with management afraid to make profits by substantial increases of production in prosperity, an increased demand would probably lead to substantial price rises.

A slackened demand would have a far different effect, of course. Stuck with a normal payroll, the employer could be expected to cut his prices, taking a substantial loss in order to help himself meet his payroll. Price wars would be the natural result unless or until industry price fixing was instituted to restore order and maintain price floors. Here, again, the marginal and the small producer, with little reserves for wage guarantees, would soon be eliminated. The end result of guaranteed annual wages would be the strengthening of big business at the expense of smaller firms, the formation of industrial trusts and monopolies, and the restrictive practices common to them.

The end-effect of the guaranteed wage on

the workingman would be equally harmful. Until industry could cover *all* employables in the United States, those not covered by the wage guarantees would find it difficult or impossible to find jobs. A certain mobility in the American labor force means constant job opportunities for the American workingman. Not only will the unemployed suffer (and with restricted production they will continue to suffer), but the employed will find less and less opportunity to switch to better jobs.

Security is only one of the aims of American labor; *improvement* is the other. Under totalitarian economies, every worker is assured of his job—security is guaranteed—but his opportunity to *change* jobs is non-existent. With firms hesitant to add additional wage liabilities to their pay-rolls, the opportunity to "pick up your tools" and do better will be severely limited. Younger workers will be the hardest hit by the tendency to freeze the economy since the unions can be expected to guard seniority rights in making guarantee contracts.

INSECURITY

Even security, however, may suffer in the end, since industry may restrict production and contract, eventually causing widespread unemployment rather than continual full employment.

Supporters of the annual wage guarantee plan maintain, on the other hand, that guaranteed annual pay will mean increased and continuous purchasing power, thus stimulating production and full employment. Purchasing power in the hands of the consumer is undoubtedly one factor in the total production picture. Purchasing power, alone, however, will not stave off the depression phase of the business cycle, the real threat to annual wages. In 1929, and again in 1937, high levels of wages and employment did not halt the depressions that followed, nor did undoubted consumer demand affect the drop in production. Cyclical unemployment cannot be cured by a guaranteed annual wage.

The necessity for maintaining reserves for wage guarantees, may, on the other hand, reduce the funds normally going into capital improvements and result in a marked

restriction of new investments. Net capital formation may account for more than a third of the national employment and from 10 to 12 per cent of the national income in times of prosperity. Reduction of capital invested in the capital goods industries would be a serious change in our economy.

The investment of reserves for annual wages would present another problem. The establishment of sizable funds covering wage liability would mean a switch in their investment from capital goods (business expansion) to liquid assets, presumably government bonds. The liquidation of such reserves when depression threatened would tend to drive bond and other security prices down disastrously; the government would have to meet payment on the bonds and possibly follow that expense with relief expenditures once the wage reserve ran out.

The Executive Board of the National Maritime Union of America recognizes the need for government intervention in the following statement: the union recognizes

. . . . that guaranteed annual wage plans cannot be established on a nationwide basis without establishing a planned economy in America Unplanned production, unrestrained competition are two conditions under which it would be impossible to guarantee the job security of American wage earners. Therefore organized labor must work for a planned economy in the public interest, based upon open markets and free world trade.

The end result of the guaranteed annual wage, then, would be a government planned economy, with relatively secure but limited jobs and pay for every worker under the aegis of Big Business. The small firm would be liquidated; business expansion would be cautious in the extreme; the worker who likes to move from job to job would be, in the vernacular, "just plain out of luck."

Indeed, this is the ultimate choice. In the last analysis, security for every laborer is protection for the merely mediocre. The enterprise, the capabilities, the initiative of the more efficient workmen must be sacrificed in the interest of the inefficient. This has long been the unavoidable trend of labor union philosophy. With the state helping to maintain a guaranteed annual wage, the consumer's free choice in the spending of his

hard-earned dollar will likewise be limited by controlled production and he may expect government "guidance" in his spending habits.

Some American workers today are ready to settle for this measure of secure living. Unfortunately for themselves and for America, they have forgotten that our prosperity, our high living standard, our attraction for the rest of the world's workers and even our very democracy, is based on free enterprise.

Again, we are not concerned with the guaranteed wage in industries which can grant it without hardship, making up its cost in improved efficiency. We are not concerned with the "painless promises" made by some concerns which are so hedged with limitations and exceptions as to be useless to the bulk of the employees. In most firms, guaranteed annual wages will mean a reduction in the hourly wage rates, reduction in overtime pay, reduction in the total working force, and a tendency to expect the worker to do any job that is available. Because they recognize all these tendencies, many unions are lukewarm to the annual wage, particularly A.F.L. craft unions, anxious to guard their hard-won privileges.

On the management side, the guaranteed annual wage can be expected to force almost immediate liquidation of small firms unable to assume the liability of wage guarantees. Other firms will begin at once to restrict production and try to raise prices to cover their new liabilities. These effects will not be long-term effects; they will not be postponed until the annual wage covers every business in every industry; they will be immediate effects and they will be harmful.

This does not mean that the guaranteed annual wage should not be instituted in industries where such guarantees are suitable and in firms where they are desirable. The smoothing out of violent seasonal fluctuations will unquestionably add to the efficiency of the individual business and may help the general economy. Wherever possible, seasonal unemployment can be combatted with contracts for wage guarantees by individual firms. But the guaranteed annual wage as a goal for American labor, as a social objective, as a cure for cyclical unemployment, is impracticable and undesirable.

The Republican Handicap

By D. G. REDMOND

ONE of the real difficulties of politics in America today is that our two major parties have become shifting coalitions of large pressure groups. In Washington, on Lincoln's birthday Governor Dewey made a speech designed to rally the shocked and resentful Republicans.

The party had lost the election and most of his audience believed that their failure was the direct result of Governor Dewey's campaign methods.

President Truman had attacked the Eightieth Congress. Governor Dewey had not defended it wholeheartedly and neither had he attacked the administration with fervor and conviction. The campaign was a dull and uninspiring one. Not much more than half of the eligible voters actually went to the polls. President Truman was the victor, but Governor Dewey, J. Strom Thurmond, and Henry Wallace combined actually polled more than half of the votes cast.

Before the Washington audience the governor defended his campaign without the slightest hesitation. In doing so he seemed to chart a course which spells continuing defeat for the "liberal" Republicans. The Republican Party as he sees it is a more efficient Democratic New Deal Party. The party which has died is not the Republican Party but the old Democratic Party of Jefferson. This, of course, was the party which believed that that government governs best, which governs least. It was a party of individualists who believed that "each man knows best how to put on his own coat." With Cleveland it was convinced that the people support the government—not the government the people.

Governor Dewey said: "we have in our party some fine, high-minded patriotic people, who honestly oppose farm price supports, unemployment insurance, old-age benefits, slum clearance, and other such

programs These people believe in a laissez-faire society and look back wistfully to the miscalled 'good old days' of the nineteenth century

" those who disapprove of these principles and want to fight them ought to go out and try to get elected in a typical American community and see what happens to them.

"The overwhelming majority of all Americans in both parties believe that government today has to be more than a cold and impartial umpire. That has been the position of our party consistently, both in Congress and in our party's platform."

If Governor Dewey wants to go back not only to the nineteenth century but also to the eighteenth century, that was the position of Alexander Hamilton. He realized that America was small and weak and he thought that it would gain strength by building up the central government and by building up the nation's industries. His influence upon the thinking of his time was great but his party seldom succeeded in winning elections.

The difficulty he faced was the fact that in the final analysis the voters knew he believed in a government of "the wise, the just, and the rich." Jefferson feared a strong government because he thought that no man, no matter how wise, or just, or rich can be trusted to exercise unchecked power. He thought that the most that could be expected of government was that it might be an impartial umpire between the conflicting claims of the various groups that make up any nation.

Governor Dewey said "you know, it is a curious thing that the same objectives of full employment and social security are claimed as their purpose by both political parties in America, by both the Socialist and non-Socialist governments of Europe, by the communist nations of Eastern

Europe, and were claimed by the Hitler government

"The whole difference between freedom and slavery lies in how you advance toward your goals, whether you go forward under a free system or march on the treadmill of a slave system."

If the issue is as simple as this, and if voting for Governor Dewey meant voting for full employment and freedom, whereas voting for President Truman meant voting for full employment and slavery, more than half of the eligible voters in America would have appeared at the polls on election day.

If, on the other hand, the issue was simply whether or not the Republicans were more efficient and therefore better New Dealers than the Democrats, it is easy to see that this issue might leave half the electorate cold and seem questionable to the half that did vote.

Granted political parties which are coalitions of pressure groups, the Democrats are, in their own eyes, first of all the party of organized labor. The Republicans, in the eyes of organized labor, at least, are the party of organized business.

There was a time when the Republicans were the party of both business and labor. That time was when the labor of the big cities believed with business that the prosperity of the country, their "full employment and social security" were dependent upon the tariff. Both sides believed that the Republicans would increase the tariff and with it prosperity, while the Democrats could be depended upon to lower the tariff and bring on a panic.

This opinion in economic theory was and is all wrong, but enough men held it to keep the Republicans in power for years.

In time the trade-union leaders as a group, and most of their followers, came to believe that at the point where the Republican Party had to choose between management and ownership of industry on one hand, and the employees of industry on the other, the party would automatically choose management and ownership.

Organized labor will always have more votes than management and so long as the Democrats can convince labor that they are the party of labor they will start with a large numerical advantage.

There are many small businesses in the country. Farmers are the largest group of small businessmen. It is hard to make the farmers feel that their interests and the interests of the railroads are the same. They have always thought that taxes were too high and are too high. But they have always felt that freight rates were too high, too. Although the Democrats have not been able to reduce freight rates they have gone in for parity in a big way. The farmers know that prices go up with wages and that a labor government always seems to seek higher wages, but they have been able to maintain and improve their condition under the Democrats.

A party promising lower taxes and less government might interest the farmers but it would have to be prepared to face real opposition in the cities. As Governor Dewey points out the costs of government are high. But that is true of local government as well as of federal government. The State of Pennsylvania, New York State, and New York City all have budgets in excess of \$1 billion this year. The costs are going up in all three. Both states have Republican governors.

The theoretical free traders, if there are enough of them left to matter, maintain that tariffs are a direct cause of war and a direct cause of the unbalanced prices and wages that lead to unemployment, unemployment relief, and subsidies. They therefore lead to high prices and high taxes.

The farmers once were free traders and they might be free traders again. Even labor might be convinced that some forms of social security cost more than they are worth and that tariffs might be included among them. But at the last election the choice they were given was between the undoubtedly sincere but perhaps inefficient New Dealing Democrats and the Republicans whose sincerity they doubted and whose greater efficiency was not as apparent to the voters as to themselves.

CONGRESS REPORTS:

European Recovery

HOW does the Marshall Plan work? Where are the bottlenecks? What progress has it made? Congress and the nation are asking these questions before they pour additional billions into Europe.

E.C.A. has now been operating long enough to estimate its effectiveness. Strong criticism and extravagant praise have been showered upon it. The taxpayer, who pays the bill, would like to see immediate results. But on the long road of history, 18 months is but half a step. It may be too soon to judge an entirely new concept of American foreign policy.

In June, 1947, former Secretary of State Marshall, in an address at Harvard, suggested that the United States would aid the economic recovery of Europe if the initiative came from Europe. In the late summer months, 16 European nations met in an effort to estimate and coordinate their economic needs. The cleavage between East and West widened. Czechoslovakia accepted the invitation to join the conference, but quickly declined upon orders from Moscow. The nations which finally went to Paris were: Austria, Belgium, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Turkey, Portugal, Switzerland, France, the United Kingdom, Norway, Denmark, and Sweden.

By September 19, the 16-power European Economic Conference had presented to the United States a report requesting \$19.310 billion. It was a second draft of the nations' recovery needs. United States Under-Secretary of State William Clayton had warned them to curtail the first, more expansive estimates.

Washington then began cutting and trimming the European estimates, while members of the House Foreign Relations Committee made an extensive tour of 18 European countries. President Truman summoned Congress to a special session on November 17 to consider emergency aid to Europe and

by December 19, Congress had passed the \$540 million appropriation for relief in Austria, France, Italy, and China. (See *Forum*, "Congress Debates: Interim Aid For Europe," January, 1948, pp. 45-46.)

As the full foreign assistance bill went into committee, Secretary Marshall testified repeatedly on the urgency of the measure. On February 3, the State Department filed a statistical analysis showing that in the first 15 months of operation, the European Recovery Program would require, at least, \$6.8 billion; any cut in this amount "would jeopardize the success of the program."

By February 13, the Senate Foreign Relations Committee authorized a four-year European Recovery Program with \$5.3 billion for the first 12 months of operation. The House Foreign Relations Committee's approval followed a few days later, and debate opened in the Senate on March 1. Michigan Senator Arthur Vandenberg emphasized, with convincing sincerity, the urgency of the measure and recommended all possible speed. (See *Forum*, Congress Debates: "The Economic Cooperation Act," April, pp. 236-256.)

By the time the bill reached the floor, several controversial sections had been dropped. The proposal to give Europe 200 surplus government-owned merchant ships was deleted because the merchant marine, American shippers, and the labor unions showed strong resistance. The question: who is going to run the show, was answered when Congress set up an agency, with an administrator of Cabinet status to manage the program.

On March 14, the Senate passed the \$5.3 billion aid bill by a 69-17 vote. The House by a vote of 329-74 passed a \$6.205 billion foreign aid bill with \$5.3 billion for European recovery over a 12-month period. The remainder was for China, Greece, and Turkey. House and Senate leaders conferred

to adjust differences, and by April 3, 1948, President Truman's signature made it law. Paul G. Hoffman, President of the Studebaker Corporation, was sworn in as Economic Cooperation Administrator.

Nine months later, \$5.055 billion had been spent. The bizonal area of Germany, the French zone of Germany, and Trieste were on the list for aid. A new currency agreement had been formulated. Offices were set up in all of the 16 countries receiving aid; 842 are employed in Washington; 1,826, abroad.

TRIALS

At home, E.C.A. has bumped into shortages of strategic materials, procurement practices which favor big business, shipping costs which drain freight allotments, and, above all, inflated prices.

Abroad, German reparations are a sword in its side. German industrial production is considered essential to any rehabilitation of Europe's economy. When the dismantling operation of German factories was halted, France and Great Britain objected strongly. To reconcile an industrial Germany with a Germany incapable of building a war machine seems almost impossible. France and Western Europe want security; the United States wants to expedite recovery.

The Organization for European Economic Cooperation in Paris, serves as E.C.A.'s partner in Europe. Nineteen countries have agreed to work together for a common program of European recovery. The O.E.E.C. has been successful in dividing the available E.C.A. funds among participating countries and in securing agreements for the European payments plan. But the real effectiveness of the central European organization can be questioned.

The United Kingdom has been criticized for failing to go "all-out" on European cooperation. France, as one of the largest countries represented in O.E.E.C., has not been able to assume leadership because her internal politics are unstable. The paramount question for the O.E.E.C. remains; can supra-national economic cooperation be forged or will the national autarky remain supreme?

Forum presents below excerpts from the Report of the Joint Committee on Foreign Economic Cooperation.

One of the significant developments in E.C.A.'s first year has been the intra-European payments plan to stimulate trade between the 19 nations. Deputy Administrator Howard Bruce explained the plan in a letter to the Joint Congressional Committee on Foreign Economic Cooperation.

INTRA-EUROPEAN PAYMENTS PLAN

"DEAR MR. DEWEY: I am sending you the memorandum I promised, giving an account of the European payments plan. The memorandum avoids technical details, but attempts to point out the main objectives of the plan.

As is mentioned in the memorandum, the entire sterling area has been included in the plan. The sterling area is expected to supply the participating countries in continental Europe with \$500 million more of goods and services than it buys from that area. This surplus will be financed to the extent of nearly \$300 million by the extension of drawing rights by the United Kingdom and the remainder by the use of sterling held by European countries. We have been able to obtain the agreement of the United Kingdom to this arrangement by allowing it to include as a payment item in its balance of payments the amount (\$169 million) which the United Kingdom must supply in dollars from its sterling-area pool to the independent sterling-area countries to finance their essential dollar imports. The total E.C.A. allotment to the United Kingdom should be sufficient to permit it to pay this sum out of its dollars earned from exports without dipping into its reserves.

By this device, I feel confident we can obtain for Europe the goods that the sterling area can supply more cheaply than if we were to resort to the more usual device of offshore purchases. But, because the arrangement represents a new aspect of E.C.A. policy, I feel I should bring it especially to your attention.

Yours sincerely,

HOWARD BRUCE,
Deputy Administrator."

"The financial assistance extended to Western Europe by the United States under the European recovery program enables the participating countries to purchase essential goods and services which they cannot currently pay for from their own earnings. The ultimate objective of the program is to make those countries self-sustaining by progressively reducing these external account deficits, particularly that with the Western Hemisphere. With this objective in mind, the E.C.A. has paid particular attention to the exchange of goods and services among the participating countries. A volume of intra-European trade substantially greater than pre-war levels is essential to the success of the recovery program, which envisages higher levels of economic activity and an increasing independence of outside aid. As a foundation for such an achievement, it was necessary to reverse the recent post-war development of a steadily declining level of intra-European trade.

"At the end of the war, the European countries had resumed trade with each other largely on the basis of reciprocal credits. But the unequal progress of economic recovery among the participating countries during the post-war period distorted this trade pattern as countries with export surpluses found it necessary to limit the volume of credits to their trading partners in order to protect their economies against further inflationary pressures. At the same time, many countries found that they had both substantial credits and debits in their international position, without being able to offset one against the other, owing to the inconvertibility of European currencies. As a result, trade and payments were forced increasingly into bilateral channels and the volume of goods being exchanged was progressively declining. A further result of payments difficulties was the growth of non-essential trade, due to the desire of trading countries to balance their bilateral accounts and the introduction of such discriminatory practices as "tied sales."

"As credit facilities in Europe were exhausted, debtor countries were required

under existing payments agreements to settle their indebtedness in gold or dollars. This insistence of creditor countries on dollar payments for their exports occurred precisely at the time when most participating countries were exhausting their last reserves of gold and dollars to finance necessary imports from the Western Hemisphere.

"E.C.A. considered it essential to take immediate steps to prevent the further constriction of intra-European trade. To accomplish this objective, E.C.A. provided dollars to certain participating countries to finance their purchases of vitally needed recovery goods available in other participating countries. This device of financing offshore purchases not only maintained the necessary flow of essential trade among participating countries, but it also prevented an increasing distortion of intra-European trade. If E.C.A. had not financed such offshore purchases in Western Europe, the participating countries would actually have attempted to buy goods in the Western Hemisphere with E.C.A.-aid funds rather than acquiring these same goods from their next-door neighbor in Western Europe. France, for example, might have purchased coal from the United States rather than from its normal sources of supply, Western Germany and the United Kingdom. Had such an anomalous situation developed, it would have been directly counter to the spirit and purposes of the European recovery program.

"The financing of intra-European trade by E.C.A. was accomplished without net additional cost to the United States foreign assistance program. These E.C.A. dollars, in fact, did double duty: They enabled the European debtor countries to buy from European creditor countries, thereby allowing these latter countries to earn dollars which could in turn be used to finance their own purchases in the Western Hemisphere. Consequently, E.C.A. was able to reduce its direct aid to the creditor countries by the amounts they received from such offshore purchases in Western Europe and the total dollar aid extended by E.C.A. remained the same.

"E.C.A. viewed the financing of offshore purchases as a temporary means of preventing a further decline in intra-European trade pending the development by the Organization for European Economic Cooperation of a more satisfactory method of facilitating trade among the participating countries. The offshore purchase method was unsatisfactory as more than a stopgap measure for two reasons.

"First, the creditor countries could not be sure of when and in what amounts they would receive the dollars spent by the debtor countries under the E.C.A. financed offshore purchase method. This created considerable uncertainty and delays which impeded the efficient operation of the European aid program. Second, the offshore purchase program meant that dollars would still be used to finance a significant portion of trade among the participating countries. There was reason to believe that such a situation would stimulate rather than lessen the demands of the creditor countries for dollars in payment for exports to their neighbors. Both E.C.A. and the O.E.E.C. were convinced that, if Western Europe were ever to be self-supporting again, trade among the participating countries should not be carried on, either in whole or in part, in the one currency which even under normal conditions would presumably be the scarcest, i.e., the United States dollar.

"For these reasons, it was agreed between E.C.A. and the O.E.E.C. that the offshore purchase method would be temporary and that another arrangement would have to be found which would enable trade among the participating countries to be financed with European currencies. At the same time, it was recognized that the creditor countries were dependent upon dollar earnings from sales of goods to their neighbors to finance some of their own Western Hemisphere purchases. The harmonizing of this conflict between an immediate need and a longer-run objective was the basic problem confronting the O.E.E.C. in its work of finding an alternative to the offshore purchase method.

"The solution finally proposed by the

O.E.E.C. is a complex one but its fundamental principles may be clearly set forth. Under the intra-European payments plan, the creditor countries among the participating nations will establish special accounts, called drawing rights, in their own currencies, equal to the magnitude of the anticipated surplus of their exports over their imports in their trade with each of the other participating countries. The debtors can then use these drawing rights to finance their trade deficits with the creditor countries. For example, let us say that Belgium could export to France \$50 million worth of goods in excess of the value of the goods which France has available to sell to Belgium. Under present circumstances, because of the exhaustion of its credit with Belgium, France could not buy this additional \$50 million worth of Belgium's products unless it paid gold or dollars for them. But under the payments plan, the Belgian government will establish a drawing right in favor of France for \$50 million worth of Belgian francs against which French importers can draw in order to pay Belgian exporters. This device, whereby the creditor countries grant drawing rights in their own currencies to enable debtor countries to pay for imports, satisfies a basic objective of the new plan, i.e., that trade among the participating countries be directly financed by local currencies and not by means of dollars.

SATISFACTION

"But how does it satisfy the requirement that creditor countries be enabled in some way to earn dollars with which to finance their own purchases in the Western Hemisphere? Some device had to be found whereby the creditor countries could be sure of acquiring the necessary dollars for their purchases in the Western Hemisphere while conducting their export trade with other European countries in local currencies.

"The O.E.E.C. proposed the following solution to the problem. If a creditor country established drawing rights in its own currency for the benefit of its neighbors, the creditor country should receive

in return an equivalent allotment of E.C.A. aid funds to help finance its own Western Hemisphere purchases. But the E.C.A. allotment to the creditor country would be a "conditional" one—conditional upon its establishing the necessary drawing rights in favor of European debtors in its own currency. Instead of the E.C.A. dollars going in the first instance to the debtors, they will thus go directly to the creditors. The net cost to the United States under this method will be identical with that under the offshore purchase procedure, but the creditors will now receive part of their E.C.A. dollars only on condition that they make available corresponding drawing rights of their own currencies to the European debtors. Thus an immediate advantage of the payments plan is that it marks a definite step in the direction of removing European trade from the "dollar standard."

"As a further step in encouraging the expansion of European trade and its independence of the dollar, the O.E.E.C. has proposed the establishment of a mechanism for multilateral clearing of intra-European payments. The participating countries have agreed to appoint the Bank for International Settlements as their clearing agent. Under this mechanism of multilateral clearing, a country whose imports and exports are balanced in total might be able to offset its debits and credits with particular countries. Because countries in this manner are enabled to reduce their outstanding credits, they will naturally be more willing to extend new credits, thus contributing to the expansion of intra-European trade.

"It is too optimistic to hope that a completely automatic clearing system can be established at once. For a clearing system of this type, any European creditor must be prepared to accept the currency of any other European country in payment of a debt, and any debtor country must allow its currency to be so used. For instance, Denmark may be in debt to Belgium and have no Belgian francs with which to pay, but it may have sterling. For the clearing process to work com-

pletely and automatically, Belgium must accept from Denmark payment in sterling and the United Kingdom must interpose no objection to such use of its currency. The participating countries realize that they must move in the direction of automatic clearing but they are not now prepared to commit themselves to more than a limited offsetting of debits and credits.

SUCCESS

"The success of the payments plan will ultimately depend largely on the liberality of the credits that the countries are prepared to extend to each other. So far they have not been willing to revise their existing payments agreements which limit the extension of credits to an amount below that necessary to permit a satisfactory volume of intra-European trade. However, it should be recognized that creditor countries in European trade, among which Belgium and the United Kingdom are notable examples, will actually retain within their economies less in the way of goods and services than the total value of goods imported under E.C.A. financing. Belgium and Britain, for example, will not, of course, re-export E.C.A.-financed imports, but in order to obtain these imports, they will have to export goods of their own manufacture equal in value to their conditional dollar allotments. Consequently, the drawing rights are really the equivalent of grants-in-aid given by one participating country to another. They represent a contribution by the creditor countries to the other European countries given in return for the aid obtained by them from the United States. Participating countries are thus fulfilling their pledges of mutual aid under E.R.P. and the burden on the United States is not increased. Under the payments plan the total E.C.A. dollar aid remains the same, but a much greater volume of essential trade is made possible among the participating countries.

"The payments plan further facilitates the obtaining of contributions to the European recovery program from the independent sterling area countries,

notably India, Pakistan, Australia and New Zealand. The independent sterling area and the United Kingdom are expected to have a very sizable trade surplus with the other participating countries, probably in the neighborhood of \$500 million during the fiscal year 1948-49. The participating countries would find it difficult if not impossible to finance the import of these goods without the aid of the intra-European payments plan. The entire sterling area under the payments plan is treated as a unit and its export surplus with the other participants will be financed by the establishment of approximately \$300 million of drawing rights by the United Kingdom and by use of existing balances of other participants to the extent of approximately \$200 million.

"E.C.A. will maintain full control over the expenditure by the creditors of the conditional dollar allotments received in return for establishing drawing rights. These expenditures will be subject to standard E.C.A. procedures and conditions governing procurement by the participating countries with E.C.A. funds. E.C.A. will also make periodic surveys of the condition of intra-European trade financed with drawing rights, paying special attention to the prices and types of commodities involved, but it will not subject this trade to the same detailed procurement supervision that it exercises over the use of its dollars.

"The debtor countries which receive the drawing rights must in turn establish a counterpart fund in their own currencies as these rights are used. This local currency counterpart fund corresponds to that established as the equivalent of direct E.C.A. grants and its use by the debtor countries will be subject to the same conditions to be stipulated by the Administrator.

"To ensure that the debtor countries will receive full value for the local currency drawing rights placed at their disposal, the payments plan provides that debtor countries may request that part or all of these drawing rights be transferred from the original creditor country to some other

creditor nation if the desired goods are not available in the former or the conditions of purchase too onerous. Hand in hand with this shift of drawing rights would go a shift in the conditional dollar allotment from the original to the new creditor. The possibility of losing E.C.A. dollars as a result of such shifts in conditional allotments will constitute an incentive to the creditors to meet their commitments and to conduct their trade on reasonable terms.

"The payments plan is being set up in a continent that still feels uncertain and insecure. Painful experience has made the countries of Europe unwilling to give hostages to fortune. We can, therefore, hope for no more than a modest beginning at the present time. But an important virtue of the plan is that it is flexible and can be broadened into a completely automatic multilateral system as confidence in it grows and economic conditions permit. At this stage, it can be regarded as an encouraging beginning and a sincere effort by the European countries to adopt measures essential to their common recovery. The plan should accomplish significant increases in trade among the participating countries. It establishes the beginning of a multilateral payments clearing system, and represents the most important demonstration so far of mutual aid granted to one another by the participating countries under the European recovery program."

E.C.A. also summarized for the Joint Committee, economic conditions in Europe.

EUROPE'S ECONOMY

"Industrial production in the participating countries has been rising steadily since the end of the war with the gains continuing into 1948. Total output of factories and mines in the third quarter of 1948 was 10 per cent above last year and nearly equal to the 1938 rate. Outside of the Western Germany zones, production in the first 9 months of 1948 is reported at 12 per cent above pre-war.

"Among the heavy industries, the outstanding record has been achieved in steel.

Excluding the depressed output of Western Germany, steel operations are well above the 1938 rate, and equaled the pre-war high of 1937. Although the coal situation has eased partly because of milder weather, tonnage produced is still below pre-war in all important areas. The magnitude of the Western European reconstruction effort is indicated by the strides made in increasing the output of cement. Production of this basic construction material is far ahead of pre-war in every country except Italy and Western Germany.

"Railway transportation and electric power output have recovered rapidly and have materially assisted the expansion in production. The extent of this contribution may be gauged by the high levels at which these industries are now operating. Total electric power production in countries excluding Germany is 50 per cent above pre-war and railway freight traffic is up about one-third.

"Agricultural production has shown equally impressive gains over the last year, though output is still below pre-war. Crop yields in the current year are estimated at 20 per cent above last year, largely as a result of improved weather conditions. The domestic output of meat and fats, however, is expected to show little improvement over last year.

"The position of the consumer has not, however, improved as much as the overall increase in output might indicate. A larger proportion of available resources are now being channeled into investment than before the war. Consequently, the increases in output have been greater in the capital-goods industries than in the consumer-goods industries. In addition, part of the added farm output is being used to build up depleted herds and to reduce imports.

"The supply of food and clothing while greater than last year remains below pre-war. In contrast to the gains in such industries as steel and cement, textile output falls short of the pre-war average by 25 per cent. The food supply has improved over last year but in calorie content is about 5 per cent below pre-war.

In terms of quality and variety the comparison with pre-war is still more unfavorable.

"While post-war trade recovery has lagged behind production, the ability of Western Europe to pay for imports is improving as exports in 1948 have generally increased along with production. Excluding Western Germany, the volume of exports and imports now approximate pre-war levels.

"Exports of the most important trading nation, the United Kingdom, have expanded rapidly over the past year reaching a level 40 per cent above pre-war in the third quarter. Imports have been held to 18 per cent below the pre-war volume. In other countries, however, exports have increased less or actually declined and the total remains considerably smaller than before the war. Imports of these countries have generally been falling off over the past year, but are still above pre-war levels.

REFLECTION

"These shifts in trade are reflected, in part, in some reduction in trade deficits thus far this year. An outstanding development was the narrowing of the very large trade deficit with the United States in 1948. This was mostly due to a reduction in imports, but a small increase in much needed exports to the United States helped. Expansion and redirection of trade among the participating countries and other parts of the world remains a major obstacle to recovery.

"Progress toward monetary stability and the more efficient use of manpower have contributed to the improvement in production and trade. With few exceptions, the participating countries have achieved some success in coping with the disruptive effects of inflation. Rises in both prices and the money supply slowed down significantly in most countries during 1948. Improvements in living conditions, transportation, and supplies of materials and fuels are permitting increased output per worker, although productivity has not generally regained pre-war levels. The

war time dislocation of the labor force has been largely overcome but scattered labor shortages hinder the expansion in production. On the other hand, unemployment is serious in Italy and Greece and among displaced persons.

"The gains achieved by the participating countries in the early phases of the European recovery program must be set against the longer-run task of recovery and stability. To realize this goal, new levels and relationships between production, trade and consumption are required. While the recovery trends are encouraging, the participating countries still have many difficulties to overcome before a satisfactory balancing of international accounts is achieved."

With the United States failure in China in mind, we wonder how much aid flowing into Europe is useless because of lack of technical skill. Tractors are no good unless you know how to use them. Six million dollars were offered for technical assistance in Public Law 793, but this form of aid has moved slowly. Only \$2,650 million has been allocated by E.C.A. for this purpose. This sum has paid for experts in Greece and for the 8 United States members on the Joint United States-United Kingdom Productivity Council.

Is some foreign assistance wasted because technical assistance has been overlooked? Administrator Paul Hoffman made this public statement on how the technical aid provision of the law works:

TECHNICAL AID

"From the standpoint of promoting economic recovery in Europe through self-help, mutual help, and United States aid, the provision is of key importance. A few thousand dollars spent in channeling technical know-how to the places in E.R.P. countries where assistance is needed may have the effect of increasing vastly the recovery effect of millions of dollars spent for commodities. This technical know-how may be available either in the United States or in any of the E.R.P. countries.

"There are six main channels through which technical information and assistance may be made to flow to recovery projects in E.R.P. countries:

(1) Experts may be sent as consultants from the United States to an E.R.P. country, or from one E.R.P. country to another, to give advice or work on problems of importance to the recovery program.

(2) Individuals or teams from E.R.P. countries may come to the United States to study methods and to acquire technical information of value in resolving difficulties in their countries.

(3) Individuals or delegations from one E.R.P. country may visit other E.R.P. countries for the purpose of studying successful practices, acquiring technical information, and exchanging experience on how to improve operations in their respective countries.

(4) E.R.P. countries may seek the advice and assistance of especially recruited experts of international organizations, such as the International Labor Organization, the Food and Agricultural Organization, and the United Nations.

(5) The Organization for European Economic Cooperation may set up programs to bring together Europeans with Europeans, or Europeans with Americans, in such a way as to promote the exchange of information or to engage in some technical survey needed for the greatest effectiveness of the recovery program.

(6) Special reports, bulletins, films, and other documents describing effective practices or measures which may be taken to improve processes and techniques may be exchanged among the several countries.

"The procurement and furnishing of technical information and assistance to participating countries is sometimes wrongly conceived merely as organizing a flow of information from the United States to Europe. But this is not so. In the technical assistance program, as in the flow of goods and services, United States aid is only one factor, the others being

self-help and mutual help. Therefore, under the technical assistance program, funds may be used not only to finance United States aid, but also, insofar as dollars are required, to finance the procurement by one E.R.P. country of technical information and expert services from another E.R.P. country or from an international organization, or to finance the efforts of O.E.E.C. to acquire and provide needed technical information and advice to participating countries.

"There are increasing indications that the scarcity of trained technicians may be one of the principal bottlenecks of the recovery program. The quickest and most effective way to remedy this deficiency and upgrade young but promising persons in participating countries is to encourage them to visit other countries in order to see how jobs similar to theirs are carried on. A few weeks of this kind of on-the-spot observation is often worth two or three years of academic training at home.

"In carrying out the technical assistance program the close cooperation of many other agencies of the Government will be required. These agencies provide experts in their fields when an E.R.P. country has need of such assistance or they aid in locating the right person. We have just arranged with the Civil Aeronautics Administration, for example, to send a technical mission to Greece at the request of the Greek Government to supervise the installation of improved air navigation and airport facilities. The agencies will also assist delegations or teams from European countries which come to the United States to study United States experience and methods.

"The greatest possibilities for technical assistance under the Foreign Assistance Act lie in the fields of industrial methods, labor relations and proficiency, agricultural production and marketing, and the improvement of governmental administration.

"One of the principal aims of the E.R.P. is to stimulate increased productivity. One of the ways this can be done is to improve industrial techniques to spread knowledge

of the latest know-how in each industry, of the most modern labor-saving, time-saving methods of producing. We hope to accomplish this under the technical assistance program by encouraging managers and workers in European industry to come to the United States to observe and learn at first hand in our factories and by sending consultants abroad to advise specific industries on our most modern methods. One of the important projects of the Anglo-American Council on Productivity is aimed at increasing productivity in Great Britain by these means.

"No less important than industrial know-how in increasing productivity is an adequate supply of well-trained workers possessing physical vigor and a will to work. We hope that participating countries will send to other E.R.P. countries and to the United States trade-union and other leaders to observe at first hand the techniques of labor relations, the organization of public employment services, the matching of job requirements with workers, the upgrading and training of personnel, employee conditions, and social legislation. We also expect consultants to go from the United States to the various participating countries to aid in solving these problems. The Federal Security Agency and the Labor Department will obviously play important roles in developing this phase of the technical assistance program.

"Agricultural production and marketing assistance will also loom large in the technical assistance program. The Department of Agriculture will be called upon to make available consultants to aid participating countries in the most modern methods of irrigation and reclamation and the most modern methods of canning, refrigeration, classification and grading, and marketing.

"Economic recovery in many participating countries can be greatly speeded up by increased attention to the technical aspects of government administration. Improvement in the organization, management, and procedures of those ministries concerned with European recovery would

enable the program to go forward with greater effectiveness and dispatch. Participating countries, for example, have agreed to take all possible measures to bring about internal financial stability, including the balancing of government budgets and the stabilization of currencies. The employment of consultants under the technical assistance program and sending of officials of one country to examine successful methods of another could yield high returns in improving budget administration, taxation, and in statistical recording and reporting.

"We have encountered one obstacle to moving ahead speedily along the lines indicated. The provision in the Foreign Assistance Act which authorized furnishing of technical assistance does not state that this type of aid can be given without requiring the participating country to deposit local currency of equivalent value in what is known as its counterpart fund. Such deposits are required for all E.C.A. goods and services supplied. Since the country does not secure a marketable commodity in receiving technical assistance it has in most instances no ready place to turn for the local currency funds. In many cases, government appropriations are not quickly available for new expenditures of this type, and the bookkeeping is too complicated for small projects which are often the most valuable. For this same reason it also appears impossible to use technical assistance funds for some very urgent projects which the Organization for European Economic Cooperation should sponsor rather than a single country. Pending clarification of the legislation, we can only proceed on a restricted basis."

In addition to the testimony of E.C.A. officials, the Watch-dog Committee's report includes full data on agricultural and industrial production in Europe since the inception of the program. The introduction to the report gives Congress some perspective on the progress of E.C.A. as a whole.

"Since the beginning of the foreign-assistance programs, April 3, 1948, Europe

has made substantial progress toward economic recovery and in morale. In this report the Joint Committee is confining itself to suggestions on specific phases of the law's operation and to reporting factual data, but the Committee does wish to set down its belief that the workings of the Act during the last nine months have contributed much to the economic rehabilitation and political stability of Western Europe.

"Certain United States exporters who have been selling in Europe for many years are being faced with the fact that the policy of Marshall Plan countries is to favor exports and frown on imports, particularly those requiring dollar exchange.

"The participating countries are focusing their plans primarily on their dollar deficits with the result that they turn to the United States for imports only as a last resort. In these days of world shortages, the United States is temporarily the principal supplier of many products. Nevertheless, in numerous instances, of which steel is an outstanding example, these scarce items will not find a permanent market in Europe and American suppliers would prefer to dispose of them elsewhere.

"European recovery apparently involves more than rebuilding. A considerable amount of remodeling of the economic structure is inevitable. In addition to war damage, the current prostration of Europe can be attributed in part to the loss of eastern European markets and materials and to the drastic curtailment of demand for semi-luxury goods particularly in the United Kingdom and in Germany. These conditions appear likely to persist for a considerable period.

"If Europe is to attain a position which will permit it to maintain itself without "extraordinary outside assistance," its economic structure must be remodeled to compensate for these fundamental changes.

"This remodeling will also reflect any pressures imposed on the economic structure of Europe by the Marshall Plan. The current focusing of attention on dollar deficits tends to force Europe to recon-

struct its economy so as to get along without certain "normal" exports from the United States.

"Congress faces the fact that the economy of Europe will be substantially altered if Europe is to pay its own way in the post-war world. This alteration can be done in such a way that foreign trade with the United States is minimized or maximized. The E.C.A. program can be operated so as to rebuild the European economy to complement American agriculture and industry or so as to erect a barrier between Europe and the United States.

"We should make sure that the course we take leads to the destination we desire.

CURRENCY STABILIZATION

"The basic economic problem confronting Europe is inadequate production. Nevertheless, the inflation which has occurred in all countries and the uncertainty as to the future value of their currencies tend to counteract direct action which has been taken to increase output.

"The following conditions prevail in most of the countries which participate in United States aid: there is a tendency to prefer commodities to money, which results in withholding materials from production. There is a tendency for production to go into domestic consumption rather than into exports. Foreign trade is conducted on a bilateral barter basis. Each of these trends is contrary to the objectives of European recovery.

"All of these conditions can be attributed primarily to lack of confidence in the national currency. Manufacturer and consumer alike are afraid to hold money so they convert money into goods as quickly as possible and hold the goods against the uncertainties of the future. The exporting firm, even when selling for currency better than its own, must surrender its foreign exchanges to the exchange control agency of the government in return for local currency which it does not want. Domestic trade has the same result but with additional benefits of internal barter for supplies and more rapid turnover. Nations insist that trade must

balance out in goods since money is unacceptable as a settlement.

"The establishment of sound currencies in Europe would eliminate these retarding influences.

"The E.C.A. has made what might be described as a commodity approach as distinguished from a monetary approach to the problem of European recovery; that is, it has given primary emphasis to supplying the means of production to Europe, relying on the use of the counterpart funds and moral suasion to bring about currency reform.

"A higher priority and a more direct approach to currency stabilization might accelerate European recovery. A sound currency does not inevitably result from the Marshall Plan effort to effect a substantial volume of imports and a high level of industrial activity. Unless a country balances its budget, taking the necessary steps to increase its revenues and reduce its expenditures, there will be a continued lack of confidence in its currency.

"As long as each participating country relies on a currency that is not desired by its own people and by other nations, there will be a continuous drag on the recovery program. E.C.A., in considering the 1949-50 assistance program of participating nations, should require that each program lay a foundation for a sound currency.

"One of the major accomplishments cited by the E.C.A. has been the intra-European payments plan . . . Under this plan, E.C.A. grants are made to those European countries who export more to the other countries of Europe as a group than they import from them on condition that these creditor countries finance this export balance in their own currencies. This plan has stimulated trade among the participating countries. Nevertheless, this arrangement must be regarded only as an expedient which does little to correct the fundamental difficulties. Its operation does not strengthen weak currencies. It offers no incentive for improvement. The plan makes possible the postponement of

monetary reform but does not bring such reform about.

"In addition to the appropriation of \$4 billion for economic cooperation provided in Public Law 793, title I, the Administrator is authorized to extend credit to participating countries to the extent of \$1 billion. The legislation might be interpreted as authorizing grants up to the amount appropriated under Public Law 793, title I, while in addition, a sum of \$1 billion would be available to be drawn on for making loans to countries the credit position of which permitted them to borrow. That is, the \$1 billion for loans could be used only to the extent that satisfactory borrowers could be found.

"The E.C.A. in collaboration with the National Advisory Council has made a different interpretation. Its position has been that the entire \$1 billion should be utilized. It has differentiated loans from grants only, in that a loan agreement is required before the funds are made available. Except for the German occupation zones, Trieste, Austria, and Greece, where the United States has special interests, all of the participating countries that receive aid are receiving loans. Italy, which is weak, and Belgium, which is strong, are both borrowers. England and France, which receive the largest grants, also receive the largest loans.

"The terms of the loans are unusually liberal (35 years to pay, no interest until 1952, interest and principal payments postponed at any time by mutual agreement). The 2½ per cent rate for a 35-year maturity under these terms is cheaper than that at which the Treasury can borrow. It should be noted that local currency deposits are not required in the case of loans.

"The major arguments in favor of the E.C.A. position are that it makes a larger sum available for aid and that each country getting a loan obligates itself to pay something back at some future time.

"The arguments against the E.C.A. interpretation are that the imposition on impecunious countries of obligations which they cannot fulfill in the foreseeable

future handicaps their recovery. This was the basic reason for providing most of the aid in form of grants rather than loans. Furthermore, the lending of large sums under conditions unwarranted by the credit standing of the borrowing countries appears to delay the time when these countries might reenter the market as legitimate borrowers. It might be better to make all aid on a grant basis until the countries have recovered sufficiently to qualify as borrowers on a more normal loan basis.

GERMAN REPARATIONS

"The European recovery program, since its inception, has been accompanied by the continued dismantling of German plants.

"Public Law 472, section 115 (f), provides that—

the Administrator will request the Secretary of State to obtain the agreement of those countries concerned that such capital equipment as is scheduled for removal as reparations from the three western zones of Germany be retained in Germany if such retention will more effectively serve the purposes of the European recovery program.

"As of December 31, 1949, the Administrator had not requested the Secretary of State to obtain any of these agreements. The Administrator has devoted himself since the enactment of Public Law 472, on April 3, 1948, to the study of the reparations problem with a view to preparing the request to the Secretary of State as required.

"In making his survey of plants scheduled for reparations, the Administrator has encountered sustained resistance from the British and French governments, first, against allowing the survey to be made, then, against suspending dismantling during the period of study and, finally, against the preliminary findings of the committee as to the retention of specific plants.

"The Administrator approached the reparations problem initially on a technical engineering basis. Out of 914 plants scheduled for dismantling in the three Western zones, a list of some 300 German

plants was selected for detailed examination to determine whether or not they should be kept in Germany. The dismantling of the remaining 600 plants was not interfered with. A report by the E.C.A. on the 300 plants which have been studied is nearing completion.

"In making this survey, it is possible for the Administrator to determine the consequences to the German economy of the removal of each plant, but very little can be done to evaluate the contribution to European production which a plant can make in another country since, in most cases, the country to which it is proposed that the plant be shipped is not known.

"Implicit in the approach made by the Administrator is the premise that German plants should be dismantled unless investigation indicates that a case can be made for their retention.

"The European countries have been inclined to take the position that section 115 (f) was not in accord with the Yalta, Potsdam, and Paris agreements concerning reparations and that these earlier commitments of the United States should not be modified. This view has been given considerable weight by the Department of State and the Army.

"The Administrator might have made the initial approach to the reparations problem the clarification of this issue. The United States could take the position that the Marshall Plan introduced a new element into the situation that required a formal reconsideration of the entire reparations situation. A new agreement on reparations could have been made one of the conditions of getting American aid. Agreement on basic issues in advance might have prevented much of the friction and delay which have been encountered.

"Congress is still confronted with this fundamental issue: Shall the burden of proof be on the advocate of retaining a plant in Germany or on the advocate of removal of a plant from Germany? The former view has prevailed up to the present. The disadvantage of this position is that plants are likely to be moved to new locations where they cannot be as effect-

ively used as they can in Germany. In addition, there is the interruption to production, frequently of two years or longer, necessitated by the time required for dismantling and re-erection.

"If Congress takes the position that all non-war plants now in Germany should be left there unless another country can show concretely that it can use the equipment to better advantage, dismantling should be halted and an agency should be established to pass on the claims of participating countries for the dismantling of designated plants.

"Friction and delay could be brought to an end if further appropriations for foreign aid were adjusted so as to take into account acceptance of a revised reparations program by the recipient countries.

STRATEGIC MATERIALS

"It appears that Congress will be called upon to give further consideration to the relationship between the procurement of strategic materials and the foreign-assistance program.

"Public Law 472 provides that each participating country will agree to "facilitate the transfer to the United States" of materials in which we are deficient. Section 115 requires that the countries agree to negotiate "a future schedule" of availabilities to the United States of scarce materials and to give to Americans "suitable protection for the right of access." Section 117 directs the Administrator to use E.C.A. funds to increase the production of materials in which the United States is deficient. Public Law 793, Title I, Economic Cooperation, requires that *not less than* 5 per cent of the local currency accounts shall be expended for strategic materials or for other local currency requirements of the United States.

"These provisions appear to reflect the intent of Congress that the countries of Europe should emphasize in their recovery programs the production of strategic materials and that the United States should share in this production as an offset to the depletion of its own reserves of materials which has been brought about

by the war and by our foreign-aid deliveries.

"Nevertheless, although the various government agencies with responsibility for spot purchasing of strategic materials for stock-piling are making progress, little is being accomplished to expand future production. This appears to be the basic weakness of the stock-piling program. The accomplishments by the E.C.A. to date in obtaining deliveries or in developing production are meager. Only \$22 million worth of strategic materials, all from the United Kingdom, have been contracted for and no programs for future deliveries in exchange for dollars or counterpart, or in payment of loans, have been agreed upon.

"The E.C.A. apparently takes the position that the entire program for obtaining strategic materials should be reorganized; that a new agency should be set up with authority to take the initiative, with funds to spend and power to enter into long-term contracts. The E.C.A. would apparently like to be relieved of responsibilities in this field.

"The fundamental issue appears to be the degree of importance Congress assigns to the strategic materials program. Our experience during the war and in the post-war years indicates that stock-piles of strategic commodities cannot be acquired by operating along purely commercial lines. The "trade" does not like to have a stock-pile hanging over the market. Furthermore, each producing country desires to use its control over critical items to further its political interests.

"The provisions of the act which are general and do not precisely enumerate the Administrator's responsibilities in this field have been considered by the E.C.A. as giving the option of not developing production or obtaining supplies of strategic materials when various types of resistance are encountered.

"It appears, therefore, that the full bargaining power available to the United States under the foreign assistance program is necessary if the most essential materials are to be secured. If Congress

places a sufficiently high priority on stock-piling, the E.C.A. might well be given increasing responsibility in this field rather than be relieved of its obligations.

"The United States has at its disposal, in each participating country that receives grants, large sums in the currency of the country. Nevertheless, the United States is continuing to buy such currencies for dollars to pay certain of the expenses of its embassies and other foreign operations.

"Each E.C.A. country is required to deposit its local currency in "commensurate amounts" for all aid it receives on a grant basis. These accounts are subject to the joint control of the country concerned and the United State. Public Law 472 provides that these deposits may be used—

for purposes of internal monetary and financial stabilization, for the stimulation of productive activity and the exploration for and development of new sources of wealth, or for such other expenditures as may be consistent with the purposes of this title, including local currency administrative expenditures of the United States incident to operations under this title.

"Further directions for the use of these deposits are contained in Public Law 793, title I—

that not less than 5 per centum of each special local currency account . . . shall be allocated to the use of the United States Government for expenditure for strategic materials where available or for other local currency requirements of the United States of America.

"The executive departments have taken the position that the local currency accounts should be used to pay only those expenses of the United States which relate directly to the E.C.A. program, including the procurement of strategic materials. This limitation does not appear to be consistent with Public Law 793 as set forth above.

"In discussions prior to the enactment of the legislation, it was argued that the local currency deposits should be used only for the recovery program since, if the United States ceased purchasing the currencies

for dollars for its ordinary disbursements, the foreign countries would be deprived of a normal source of dollar income. Since the E.C.A. program was focused on financing a dollar deficit, the matter was largely a bookkeeping arrangement.

"Against this view, it is maintained that under the present conditions, there are comparatively few goods and services which Europe can supply to the United States in return for our aid. The expenditures of our embassies and other United States agencies abroad would be largely for non-exportable items such as rent for buildings, wages for indigenous personnel. It does not appear unreasonable to ask participating countries to make the sacrifices necessary to provide these services.

"It will be noted that the relating provision of Public Law 793, title I, reads "that not less than 5 per centum of each special local currency"; this lack of limitation has not been observed in the bilateral agreements entered into between the participating countries and the United States. A definite 5 per cent and no more is designated.

"The E.C.A. policy for the use of the 5 per cent fund may be summarized as follows:

1. E.C.A. administrative expense and Joint Committee expenses in performance of official duties within respective countries.
2. The entire balance to be reserved for strategic material uses.
3. No part of the 5 per cent fund in any country should be regarded as available for the use of other agencies until the Administrator decides that there is no possible strategic material use in that country.

"E.C.A. has stated that there is no urgency in making these funds available to other agencies since title vests in the United States and the money does not have to be spent within any specific period.

"In many of the participating countries there has been a constant price increase. In other words, the purchasing power of the local currency has lost some of its

value. This being the case, any too great delay in the employment of the local currency for any agency requirements of the United States of America might cause substantial losses.

"Provided that the 5 per cent clause is regarded as setting a floor rather than a ceiling to the local currency deposits, there will inevitably be enough to cover all United States operating expenses.

"From a bookkeeping point of view, since certain administrative expenses are being financed from the local currency deposits, it might simplify the whole procedure if all local currencies were provided from these deposits where they exist and there were no dollar purchases of local currencies.

"Since the current practice of the executive branch with regard to the use of local currencies may not conform to the intent of Congress, as expressed in Public Law 793, title I, a more precise directive on this point may be required.

AMERICAN INVESTMENTS

"Encouragement to participation by private capital in European recovery was intended by Public Law 472 which guarantees the transfer into dollars of foreign currencies received as income or proceeds of sale of approved investments made by Americans in E.C.A. countries. The amount guaranteed is limited to the amount invested.

"American business has manifested little interest in this provision. Omitting the guarantees for informational media which involve a different situation, only one guarantee has been made and there have been only 21 applications.

"One major technical difficulty has emerged in this connection. The guarantee funds are provided from the \$1 billion authorized for loans. The participating country must approve the project before the guarantee is made. There is a tendency for the European countries to feel that if they do not approve a project submitted by an American investor, they will get the money anyway as a loan without specific limitation as to its use.

"The principal difficulty appears to be

more fundamental, however. The existing provision is a guarantee of convertibility only and for a limited amount. Since the present-day risks in Europe are so great, most investors find more attractive opportunities in the United States.

"Congress apparently must choose between providing a much more comprehensive guarantee or waiting until a substantial improvement occurs before private investment will assume an important role in European recovery.

"Public Law 793, section 202, provides in part —

that no funds available under this Act shall be used for the purchase of wool other than from existing stocks owned by the Commodity Credit Corporation unless or until such stocks are exhausted.

"E.C.A. operations under this section were analyzed in a special report, Wool Procurement by E.C.A., Confidential Committee Print No. 2, November 5, 1948.

"The conclusions of this report still appear to be valid and are as follows:

1. Under existing conditions, little C.C.C. wool is likely to go to Europe.

2. C.C.C. appears to be able to keep its wool stocks within limits which they consider manageable without E.C.A. shipments.

3. The E.C.A. countries will probably get a considerable amount of wool from non-dollar sources under the new European payments plan.

4. The portion of section 202 of Public Law 793 dealing with wool is ineffective.

Congress may wish to reconsider its position on this matter.

AMERICAN SHIPPING

Public Law 472 provides in part that—

the Administrator shall, in providing for the procurement of commodities under authority of this title, take such steps as may be necessary to assure, so far as is practicable, that at least 50 per centum of the gross tonnage of commodities, procured within the United States out of funds made available under this title and transported abroad on ocean vessels, is so transported on United States flag vessels to the extent such vessels are available at market rates.

"On December 3, 1948, the Administrator announced that—

it is my intention, not later than January 1, 1949, no longer to require that 50 per cent of the E.C.A. bulk cargoes be carried in United States flag ships unless such ships are available at competitive rates.

In the light of the protests which followed this announcement, the Administrator decided that he would postpone the contemplated action until February 1, 1949, stating that this delay would "permit appraisal of the underlying problem by the new Congress." (This was later extended to April 1.)

"The E.C.A. has found the 50 per cent requirement onerous for the following reasons:

"First, the freight rate on bulk cargo has run higher for American-flag vessels than for others. It should be noted, however, that, while the shipping costs to the E.C.A. are increased by the amount of this differential, the cost to the United States Treasury is substantially less, since the vessels involved belong to the United States government. The government consequently derives revenue from them (basic charter rate, recapture of earnings, and certain taxes) when they are in service, while they bring in nothing if they are idle.

"Second, the market prices in Europe of certain bulk commodities, notably coal, are forced by competition to a level high enough to cover cost in the United States plus ocean freight. The higher the freight, the higher the price, not only of the quantities shipped from the United States but also of all E.C.A. procurement, regardless of source. This means an increased E.C.A. outlay for Polish coal, which confers no benefit on the United States merchant marine.

"Third, a certain amount of resistance has been encountered on the part of participating countries which rely on their merchant fleets as a major source of dollar income and which regard the use of American ships as a serious economic handicap.

"United States policy apparently recognizes that the existence of an American merchant marine depends upon subsidies,

and the Maritime Commission administers a subsidy program. The issue confronting Congress, then, is whether or not it is desirable to supplement the existing program along the lines in which the 50 per cent clause operates and whether or not to use the E.C.A. in the administration of the subsidy.

"It is not unreasonable to require the E.C.A. to shoulder this portion of the burden of maintaining a United States merchant fleet. The Maritime Commission subsidies are concentrated on liners rather than tramps, which handle bulk cargo. It is primarily the bulk-cargo shipping which causes difficulty for the E.C.A. in connection with the 50 per cent clause. The Maritime Commission apparently looks with favor on the aid to American tramp shipping which the 50 per cent requirement provides, although it has not proposed to subsidize tramp shipping as part of its program.

"Arguments have been advanced that a formal plan for subsidizing tramps would be impracticable for the Maritime Commission and that the indirect benefit derived from the 50 per cent clause is the best way to attain the desired result.

"It appears that, if Congress decided to include in the E.C.A. program a subsidy of bulk cargoes, the cost of foreign aid could be materially reduced by giving consideration to an arrangement wherein only the competitive cargo rate should be paid for freight, and that a separate payment per ton or on some other basis should be distributed to American-flag vessels to offset their higher operating costs. By this method, market prices in Europe would not be driven higher by the higher cost of transport in American vessels, and the E.C.A. outlays for such commodities as coal procured from non-United States sources would be less."

On February 4, the administration handed Congress its bill to extend the Marshall Plan through the fiscal year starting July 1, 1949. The House and Senate Foreign Relations Committees held joint hearings. A week later the cost of extension was announced.

E.C.A. has requested \$4.288 billion for

the fiscal year starting July 1, 1949. The major share will go to Great Britain, France, Western Germany, and Italy. E.C.A. also requests \$1.150 billion to complete its work from April until June 30 of this year, and \$150 million in contract authorizations for long-range projects carrying beyond June 30, 1950.

The following is a breakdown of proposed spending:

PROPOSED E.C.A. PROGRAM

FOR FISCAL 1949-50

(In Millions of Dollars)

	National Requests	E.C.A. Division Proposed of Aid.
Austria	217.0	197.
Belgium-Luxembourg and Belgian dependent overseas territories	250.0	200.
Denmark	110.0	109.
Trieste	12.8	12.
France and dependent overseas territories	890.0	875.
Germany:		
Bizonia	372.4	404.
French zone	100.0	115.
Greece	198.1	170.
Iceland	10.	7.
Ireland	75.4	64.
Italy	610.1	555.
Netherlands and dependent overseas territories	507.	355.
Norway	131.8	105.
Portugal	100.6	10.
Sweden	70.7	54.
Turkey	94.2	30.
United Kingdom	940.0	940.0
Total program funds	4,690.1	4,202.*

Dollar costs of strategic materials	32.0
Ocean freight on relief packages	15.0
Technical assistance	15.0
Investments guarantees	...
Administration	17.5
Confidential fund	0.5

Total E.C.A. funds 4,280.0

*Scaled downward in round numbers to \$4,200 in total E.C.A. request.

Thus, Congress is now faced with a grand total of \$5.580 billion for expenditures to June 30, 1950, and the task of ironing out the lumps in operation of the Marshall Plan.

Within limits, bargaining of this type has worked well inside our borders. The United States has the greatest industrial productive capacity in the world and the highest standard of living. It has developed wages and prices so high that the rest of the world cannot trade with us on anything like even terms.

Our efforts have been largely aimed at equalizing matters at home and forgetting the rest of the world. In this, we are following a pattern that Karl Marx would say is inherent in capitalism. We have tended toward "monopoly" which in the long run Marx thought would become state owned "monopolies."

We have also been following the pattern of Great Britain which at present has a "labor" government which is socialist but not Marxian. Much of the thinking of the British has been based on Keynes. In effect, Keynes has attempted to balance the inequalities that inevitably exist in any system by the manipulation of government credit planning. He would increase demand by expanding government purchasing in times when business is falling off and decrease government spending in times of prosperity.

Beveridge has planned to spread the injustices inherent in industry by a system of insurance covering everyone "from the cradle to the grave."

Again, whether because of these plans, or in spite of them, Britain, once the leading industrial power and foremost trading nation of the world, has been displaced by the United States in both capacities.

As the E. C. A. report to Congress points out, we have been more successful at reviving trade between the European nations than we have been in increasing our trade with Europe, since the end of World War II.

In the report, on page 182, Mr. Bruce says "an outstanding development was the narrowing of the very large trade deficit with the United States in 1948. This was mostly due to a reduction in imports, but a small increase in much needed exports to the United States helped."

On this basis we are doing a reasonably good job for our allies by helping them to restore their economy so that they can trade with each other and the rest of the world. We are not doing the best possible job for them and for ourselves unless we can restore our ability to trade with them, too.

The forum on a "guaranteed annual wage" has real bearing on the issue of prices as well as on the issue of security. It is interesting to note the relatively small percentage of the wholesale cost of shoes set aside by Nunn-Bush for wages under their guaranteed wage plan.

The 80 per cent that does not go into the wages of the men who produce shoes does not, of course, go into the profits of Nunn-Bush. More of the wholesale price of shoes goes into taxation, than goes to the men who make shoes, when wages represent 20 per cent of gross income.

Whether or not an annual wage will help the country in the long run depends largely on whether or not it can be so operated that our guaranteed annual wage makes it possible for us to produce goods more economically—which means cheaper. If we are dependent on foreign trade, whatever forces shove prices up will tend to restrict the total business of the country and, therefore, full employment.

For Your Enjoyment

Since the first of the year we have been experiencing somewhat lower prices. Most things are harder to sell. Jobs are harder to get. Congress and the administration do not know whether we are facing a period of deflation or whether the inflation of the past year will pick up again.

FORUM, following its policy of presenting controversial but factual reports on the modern scene, offers three articles this month on the economic situation: "Economic Planning: By Whom? For Whom?"; "Forum: Is the Guaranteed Annual Wage Desirable?"; and "Congress Reports: European Recovery."

"Economic Planning: By Whom? For Whom?", by Professor Benjamin Higgins, gives a clear picture of the case for government intervention in economic affairs. He points out that Adam Smith "was himself an economic interventionist of the first order, recommending legal limits on profits, minimum wage legislation, price controls on necessities, and smashing monopolies." Adam Smith himself said, "People of the same trade seldom meet together even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices."

In spite of Adam Smith, or even because of the competition he favored, the price of goods not only went up, but it went up faster than wages. The constant invention of new machinery threw men out of work, temporarily at least, and their first concern was to get the old job back. Their first solution was to destroy the machines.

This proved unworkable and they combined to get better terms for themselves. It is fair to say that since these combinations, today's unions, have grown in power, they have helped to better the position of most, if not all, the men who run machinery. But their tendency, like that of Adam Smith's "people of the same trade" has been to look to immediate needs rather than to long-term advantages.

It is easy to understand why this is so. A man who is absolutely dependent upon his job cannot think in terms of what is best for the country if he and his family must have next week's wages to pay next week's bills.

As this is written, 425,000 members of the United Mine Workers of America have taken a two week's lay-off to commemorate the "55,115" men who were killed and injured in mine accidents last year.

The general assumption is that since the miners' wage contract will come up shortly the mine workers will be in a better bargaining position if the country's coal supply is low.

(Continued on Inside Cover)